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For Ulster, The Chance To Settle an Old Quarrel

Voters in North Show
Little Optimism About
New Power Structure

By Richard L. Berke
New York Times Service

CARRICKFERGUS, Northern Ireland — Seeking finally to resolve an ancient and bloody North-South quarrel, citizens in Northern Ireland and the Irish Republic on Friday voted together for the first time in nearly 80 years on a referendum that would transform the political institutions and social traditions that have guided this island for generations.

After years of hatreds, and an intense, often harsh monthlong campaign, the combatants left it to the voters to decide whether to restore self-rule to Northern Ireland. The actual ballot was a simple up-or-down vote. But the consequences could not be greater: The measure would allow both sides to battle over words, not violence, by creating new

Mo Mowlam, secretary for Northern Ireland, is a big winner. Page 7.

institutions to give Roman Catholics, who are the minority here, a greater voice. At the same time, the accord responds to Protestant demands that this province remain part of Britain.

Voters in the Irish Republic were expected to back the accord by a large majority. But political analysts said a large "yes" vote from the 1.2 million voters in Northern Ireland, particularly from its Protestant majority, was essential if the agreement was to work.

While officials will not begin counting the hand-marked ballots until Saturday, the central question ever since a Northern Ireland peace accord was hammered out more than a month ago, on Good Friday, was not whether voters would ratify the treaty. Rather, it has been whether the margin of victory would be decisive enough to quiet the opponents who say they are determined to sabotage it from the inside.

No matter the outcome, the spectacle of North and South voting as one was in itself a striking development. Election authorities both here and in the Irish Republic reported that unusually high volumes of people had streamed to the polls. In the cities and villages in Northern Ireland, some voters were lined up waiting for the doors of polling stations to open at 7 A.M. Pat Bradley, the chief electoral officer in Northern Ireland, said turnout here could be a record "well in excess of 70 to 75 percent" of eligible voters.

"Things will never be the same here again," said Michael O'Neill, 30, who is unemployed, after he voted for the agreement in strife-ridden West Belfast at a primary school where the facade is pocked with bullet holes. "It's about the future."

John McCaffrey, 64, said after voting at a community center in the town of Holywood, south of Belfast: "We've put up with the Troubles, with friends shot up and left dead. We've been looking forward for this for years." His wife, Mary, who is 60, interjected, "We've been praying for years."

Yet, there was enormous ambivalence at the polls Friday. It was born not of apathy but of voters knowing through grim experience that the old intractable problems would reach up to sink the new power-sharing arrangement.

From this medieval seaside town on the Belfast Lough to the epicenter of violence in the Catholic area of Falls Road in Belfast to the middle-class,

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NEW GOVERNMENT GETS TOUGH WITH PROTESTERS



Soldiers raising their guns on the steps of the Indonesian Parliament in Jakarta on Friday to control a crowd of pro-government activists who supported the troops' crackdown on student occupiers of the building.

Jakarta Troops Clear Students From Parliament

By Michael Richardson
International Herald Tribune

JAKARTA — Indonesian troops swarmed into the national Parliament late Friday night and cleared out student protesters in a crackdown intended to restore political stability and strengthen the newly installed government of President B.J. Habibie.

At least 3,000 Indonesian soldiers and military police moved into the grounds of the legislature, ordering the demonstrators who had occupied the complex since Tuesday to leave.

No serious violence was reported, and by midnight hundreds of students were being escorted by troops toward buses parked outside the main gate. They offered no resistance, witnesses said.

Troops used loudspeakers to call on the occupants to leave the complex without a struggle.

Students first ran into the lobby of the main Parliament building, vowing not to give in, but later gathered peacefully in a square in front of the building, squatted and began singing.

"We came out because we feared for our lives inside," Lindy, one of the students, told Reuters.

Soldiers with sticks scuffled with students after arriving in dozens of trucks under cover of darkness. The Associated Press reported. They surrounded about 2,000 protesters who locked arms, sang the national anthem and waved red and white Indonesian flags.

The chief of the armed forces, General Wiranto, had said he expected op-

ponents of the new government to give it a chance to rescue the country from its political and economic crisis.

He said that the students should end their occupation of Parliament and the protests that triggered the resignation of President Suharto on Thursday and his replacement by Mr. Habibie, a longtime friend of Mr. Suharto's.

[In another sign the new government was consolidating its authority, Mr. Suharto's son-in-law was relieved of command of the army's top combat force, Reuters reported. An army spokesman said Lieutenant General Prabowo Subianto had been replaced as head of the 17,000-man strategic command, known as Kostrad. He was named commandant of the Staff and Command College in the West Java city of Bandung. Military analysts said the move strengthened the hand of General Wiranto.]

Students were sleeping in the Parliament building to press on with their demands for sweeping political reform, including the dismissal of Mr. Habibie's government and the holding of fresh elections.

"Disperse, disperse," shouted military police carrying assault rifles, truncheons and tear gas canisters. Some students, many holding sticks, formed a human barrier as the security forces approached.

Student leaders told their comrades not to resist the troops, witnesses said. But some protesters outside the gates of the parliamentary complex lay down in

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Mass Mayhem in U.S. Schoolyards

A Lethal Mixture: Screen Violence and Access to Guns

By Tamar Lewin
New York Times Service

NEW YORK — The shootings in Springfield, Oregon — following the string of recent killings by angry students — mark a shift in the nature of school violence, some experts say, with incidents escalating beyond one-on-one disputes into movie-style scenes of mass mayhem.

"We've transitioned from single-victim shootings to multiple shootings, indiscriminate shootings of large numbers of people who had little or nothing to do with the events that led to the problem," said Ronald Stephens of the National School Safety Center in Westlake Village, California.

"There's more firepower, more vic-

tims and a greater sense of callousness. It's a real change, a disturbing one."

On Thursday, minutes before the 8 o'clock bell rang to start the day at Thurston High School in Springfield, a student carrying three guns opened fire on hundreds of other students

Oregon suspect's family was well-regarded by neighbors. Page 3.

gathered in the cafeteria, killing two and injuring 22, four critically.

Last year, there were four multiple shootings, including the tragedies at West Paducah, Kentucky, in which gunfire that was sprayed into a high school prayer circle killed three students and wounded five others, and at

Pearl, Mississippi, in which a student killed two schoolmates and injured seven more.

Perhaps the most horrifying incident took place March 24 in Jonesboro, Arkansas, where an 11-year-old and his 13-year-old friend are charged with killing four students and a teacher and wounding 10 others.

Some of the real-life scenes of semi-automatic weapons blasting into a crowd of schoolchildren so strongly resemble cinematic cataclysms that many experts are convinced that the young killers are not making up the scenarios, but acting out a repertoire learned on screen.

"Kids aren't born violent, it's

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One of 22 injured students being helped to an ambulance at Thurston High School in Springfield, Oregon, after another student carrying three guns opened fire on classmates in the cafeteria, killing two.

Judge Allows Starr to Question Secret Service Agents

WASHINGTON — A federal judge ruled Friday that Secret Service agents can be compelled to testify before a grand jury in the Monica Lewinsky investigation, rejecting Clinton administration arguments that they had a special privilege, a source familiar with the ruling said.

The decision is the latest in a string of legal victories for the independent counsel, Kenneth Starr, who is trying to overcome several obstacles to his effort to investigate a possible presidential affair and cover-up.

The source said Judge Norma Holloway Johnson had granted Mr. Starr's motion seeking to compel a small

number of Secret Service employees to testify.

The decision leaves the administration with several choices, including an appeal or a change in legal strategy: The president could still invoke executive privilege to try to stop the agents from testifying.

In her ruling, Judge Johnson rejected the administration's effort to argue a novel legal theory that Secret Service agents must have a special "protective function privilege" to avoid testifying before grand juries about things they observe while protecting a president. Mr. Starr had argued that no such privilege exists in the law.

In the last month, Judge Johnson has sided with the

prosecutor, rejecting the president's efforts to use executive privilege to block the testimony of two key aides. The White House plans to appeal that ruling.

She also ruled that lawyers for Ms. Lewinsky did not have a binding agreement to grant the former White House intern full immunity in exchange for her testimony. An appeals court declined to reverse that ruling.

In a rare public hearing a week ago, Judge Johnson signaled her skepticism about the Secret Service's arguments. "I don't see it," she said of Justice Department and Secret Service claims that a president could be harmed; even assassinated, if he did not enjoy absolute secrecy from the agents protecting him.

The Leader Has Gone, But System Stays in Place

Jakarta Power Structure Fights for Survival

By Keith B. Richburg
Washington Post Service

JAKARTA — Students and the newly energized political opposition are still relishing their surprising success in forcing President Suharto from power. But they may soon find that ousting an authoritarian ruler is far easier than toppling the decades-old system he leaves behind.

Though Mr. Suharto is gone, Indonesia's power establishment remains in place and intact. B.J. Habibie, a longtime protégé of Mr. Suharto's, is now president. Parliament, and the constitutionally mandated assembly that gives the president his mandate, is made up of

NEWS ANALYSIS
Suharto loyalists, mostly appointed directly or indirectly by him. Senior military officers, judges, the heads of state-owned corporations, have all been appointed by him. In a country that for 32 years has known only one-man rule, that one man's imprint is evident throughout society — and may prove more difficult to uproot than the man himself.

In the end, it was the people of that power establishment that turned against Mr. Suharto and hastened his demise, not to change the system he invented but to preserve their own place in it. Mr. Suharto had become a liability; the head of the power structure had to go so the structure itself could survive.

But that power structure is facing a continuous and serious threat from new and potent forces for change that might have seemed unimaginable a few months ago. At the core of that new force are the nation's university students, who began their movement in February with little organization, no real leadership, and who at the time were given little prospect of success.

The students managed to give voice to the wider frustrations of a society bottled up under a tightly controlled system that allowed little room for public debate and dissent. What began as a strictly campus-based protest has now mushroomed to include academics, middle-class professionals, labor and human-rights activists, journalists, environmentalists, and many others whose voices had been stifled under the strictures of Mr. Suharto's New Order regime.

The power establishment believes it has won, managing to forestall a revolution by removing its onerous top. The forces for change have already been unleashed, and they are unlikely to be satisfied with anything less than a complete overhaul of the system. Mr.

Suharto is gone. And now the real battle — the battle for change, for reform, or reformasi as it is called here — is just beginning.

"This was not a revolution — the power establishment was not swept out of office," said a senior diplomat based in Jakarta. Now, he said, "there will be a continuing struggle over who will control the change."

"There will be a struggle over the

See SYSTEM, Page 4

An Economy Near Collapse Swayed Army

By Michael Richardson
International Herald Tribune

JAKARTA — Riots and anti-government demonstrations have pushed the Indonesian economy perilously close to collapse, diplomats and economists said Friday, and that danger induced the country's military leadership to withdraw its support of President Suharto this week.

One senior diplomat said he had been told by "knowledgeable insiders" that the rupiah and foreign currency reserves had dropped to levels that made essential imports impossible and put the country "one week from insolvency."

Further, diplomats and economists said, the political stability essential for recovery may be difficult to achieve.

The team of economic ministers appointed by President B.J. Habibie faces "a tremendous challenge," the World Bank said. This was an evident acknowledgment of the gravity of the situation caused by heavy declines in the value of the Indonesian currency and the level of foreign exchange reserves.

In naming his cabinet Friday, Mr. Habibie — who took over Thursday after the forced resignation of President Suharto — retained Ginandjar Kartasasmita as coordinating minister for economy, finance and industry. Mr. Ginandjar is known to have good relations with the International Monetary Fund, the organization that holds the key to unlocking urgently needed loans

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Newsstand Prices

Andorra	10.00 FF	Lebanon	11.300
Aruba	12.50 FF	Morocco	16 Dh
Australia	1.800 CFA	Qatar	10.00 QR
Cambodia	1.800 CFA	Reunion	12.50 FF
Egypt	10.00 FF	Saudi Arabia	10 SR
France	1.100 CFA	Senegal	1.100 CFA
Gabon	1.100 CFA	Spain	225 Ptas
Italy	1.250 CFA	Tunisia	1.250 Dh
Ivory Coast	1.250 CFA	U.A.E.	10.00 Dh
Jordan	1.250 JD	U.S. M.	1.20
Kuwait	700 Fils	U.S. M.	1.20

AGENDA

Gingrich Cancels Visit to Jerusalem Site

WASHINGTON (AP) — At the request of the White House, the House speaker, Newt Gingrich, is canceling plans to visit the proposed site of the new U.S. Embassy in Jerusalem, officials said Friday. Mr. Gingrich's spokesman did not say why the request had been made. But the planned visit had angered Palestinians.

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Sponsored Section
AUCTIONS IN FRANCE
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The Dollar			
New York	Friday 4 P.M.	previous close	
DM	1.7588	1.7585	
Pound	1.6305	1.6305	
Yen	135.725	134.96	
FF	5.8929	5.8925	
The Dow			
	Friday close	previous close	
-17.93	9114.44	9132.37	
S&P 500			
change	Friday 4 P.M.	previous close	
-4.1	1110.54	1114.84	



Washington's Mayor Barry Says No to a 5th Term

By Vernon Loeb and Yolanda Woodlee
Washington Post Service

WASHINGTON — Marion Barry has announced that he will not seek a fifth term as mayor of Washington, relinquishing his hold on an office he defined and used to dominate politics in the District of Columbia for most of the past 20 years.

Ending months of speculation, Mr. Barry said he had searched his soul before concluding that he could better fight "the mean-spirited Republican Congress" that had whittled away home rule in Washington from the outside rather than the inside.

"I believe I've been a good mayor," Mr. Barry told several hundred assembled supporters Thursday. "I also believe I've been a compassionate, sensitive, accountable mayor, or a responsible and a sacrificing mayor who served the people with joy."

The mayor could not bring himself to utter any variation of the actual words "I will not seek re-election" — and, indeed, he has until the final filing deadline Aug. 26 to entertain a change of heart.

But Mr. Barry's aides said he was not leaving the door cracked to the possibility he would enter the race, and they distributed a

news release titled: "Mayor Barry announces his decision not to run for public office."

Flanked by his wife, Cora Masters Barry, his son, Christopher, 17, and his minister, the Reverend Willie Wilson, Mr. Barry delivered a 25-minute tribute to his years in office. He said he would continue living and working in Washington "as long as I'm alive," and he remained defiant, denouncing his Capitol Hill foes for seeking "to break the spirit of our people and recolonize our souls."

Beyond his desire to continue battling Congress over home rule, Mr. Barry made no specific reference to his plans. In a brief interview afterward, he indicated that he hoped to develop "a professional relationship either with African countries themselves or with business people who want to do business in Africa, or African people who want to do business in America."

Mr. Barry has so dominated local politics, thanks to charisma, history and a solid base of support, that the nascent mayoral campaigns of three District of Columbia Council members, Kevin Chavous, Harold Brazil, and Jack Evans, virtually were held in limbo awaiting his decision.

Marie Drissel, for years a voluble critic of Mr. Barry's, was virtually speechless after listening to his farewell. "I really thought he

was mayor for life," she said. Not everyone was left so enthralled.

"He has been a terrible mayor," said Senator Lauch Faircloth, Republican of North Carolina, chairman of the Appropriations subcommittee on the District of Columbia and the author of legislation that stripped nearly all of Mr. Barry's remaining power last July.

"We can start with the police department, the schools opening six weeks to two months late, streets that are totally in disrepair, Lorton prison," Mr. Faircloth said. "There simply wasn't an accounting system for the city." He continued: "The social services system was as corrupt as anything could be, and they weren't even using the money. Millions of dollars were backed up."

Some of the region's business leaders, while not as openly critical, reacted with relief at Mr. Barry's decision, saying he had been responsible for a considerable part of Washington's image problems.

"Unfortunately, he was the focus of an enormous amount of media attention around this country and outside of it that wasn't positive," said John Tydings, president of the Greater Washington Board of Trade, the region's largest business organization.

Mr. Barry was first elected mayor in 1978

and was re-elected in 1982 and 1986. He was convicted of one misdemeanor count of drug possession in 1990 after he was videotaped smoking crack cocaine at the Vista Hotel in an FBI sting. But after serving six months in prison, he was re-elected mayor in 1994.

"I've had some dark and difficult days in my life, as you know," Mr. Barry said toward the end of his address, the only direct reference to the underside of his tenure in office. "I succumbed to the demons of alcohol and illegal drugs. But then, God has been good to me." He said: "I stand here eight and a half years later clean and sober."

Mr. Barry said one of his greatest accomplishments after 16 years as mayor had been empowering minority businesses through a law requiring that 35 percent of all city contracts go to minority firms.

"We have over 1,000 new businesses that wouldn't have been here if we didn't have that law," Mr. Barry said.

Along the same lines, Mr. Barry said he inherited a bureaucracy in 1979 in which most upper-level management jobs were reserved for whites.

"But look at our government now," he said. "In every agency, African-Americans and women and other qualified minorities are making major decisions."

POLITICAL NOTES



MOUNT 'EM UP! — Attorney General Janet Reno sporting Royal Canadian Mounted Police headgear in Washington, where she met her Canadian counterpart, Solicitor General Andy Scott.

Reno Names Justice Watchdog

WASHINGTON — H. Marshall Jarrett, a career prosecutor who has won convictions of corrupt officials, CIA agents and drug kingpins, has been named the new chief of the Justice Department's Office of Professional Responsibility.

Attorney General Janet Reno said Thursday that the appointment underlined her determination to make sure that allegations of misconduct leveled at Justice Department lawyers "are investigated swiftly, thoroughly and fairly."

Currently an associate deputy attorney general, Mr. Jarrett, 53, succeeds Michael Shaheen Jr., who retired in December. The Office of Professional Responsibility was created in 1975 to pursue allegations of professional misconduct by Justice Department attorneys. (W/P)

House Urges Clinton to Comply

WASHINGTON — The House has passed two symbolic resolutions meant to keep the spotlight on investigations of President Bill Clinton.

The first resolution, passed by 259 to 157, calls on Mr. Clinton to release all documents relating to his claim of executive privilege, which he has used to keep top aides from being questioned by the independent counsel, Kenneth Starr. The second, approved by 342 to 69, urges the president to compel potential witnesses to cooperate with a House inquiry into campaign finance abuses. (NYT)

Quote/Unquote

June Kim, who has filed for divorce from Representative Jay Kim, Republican of California, who is restricted to the halls of Congress and his Virginia apartment as part of his prison sentence for accepting more than \$250,000 in illegal foreign and corporate contributions: "He is a congressman. He should be clean. He should be a role model. In fact, he is the most crime-committing person I know." (W/P)



Two students, Tisha Edwards, left, and Rebeca Sanchez, placing flowers at the school.

Nice Family, Troubled Child

Oregon Shootings Suspect 'Liked to Torture Animals'

By Laurie Goodstein
New York Times Service

His parents were popular teachers at two high schools in Springfield, Oregon. His older sister is a college cheerleader who has won honors in national cheerleading competitions.

But Kipland Kinkel, known as Kip, had a reputation of a different kind in the community where his family was so well regarded. In his middle-school yearbook, the freckle-faced boy was named "Most Likely to Start World War III."

Long before he burst into his high school cafeteria Thursday and, the authorities say, began gunning down his fellow students, Kip, 15, had shown signs that he was a troubled young man.

The police said he had been in trouble before for throwing stones at cars from a highway overpass. Fellow students said Thursday that Kip had once brought a pipe bomb to school and given a talk in speech class about how to build a bomb. He boasted to friends that he had killed his cat and blown up a cow.

"He was always talking about what he did to animals," said David Willis, a freshman who played with Kip on the football team at Thurston High School, where the shootings occurred. "He would like to torture animals and stuff, and tell us about it."

Friends said Kip had been angry at his father in the past for taking away his guns. About a week ago, Khrystie Cooper said she went out for ice cream with Kip and learned that Kip's parents had grounded him for the summer for defacing neighborhood houses with toilet paper.

After Kip was arrested for the shootings at the school, he suggested to the police that they take a look in his house. There, the police found the bodies of two adults. There was still no official confirmation Friday that the bodies were those of Kip's parents.

But Katie Kinkel, Kip's grandmother, said Thursday: "Kip is my grandson. He murdered his mother and father. For sure." In a shaky voice on the telephone, she added, "Kip will probably be locked up."

Some neighbors who socialized with the Kinkels family at barbecues said they had never detected any trouble in the family. But others said they had noticed that Kip was going through a "Gothic

A 'Maybe' on Land-Mine Ban

U.S. to Sign by 2006 if Alternative Weapon Is Found

By Steven Lee Myers
New York Times Service

WASHINGTON — In a shift in policy, the Clinton administration has pledged that by 2006 the United States will sign the international treaty that bans anti-personnel land mines, but only if the Pentagon comes up with an alternative weapon.

Although President Bill Clinton has voiced support for banning the most pernicious types of land mines, the administration had previously refused to commit itself to signing the treaty, known as the Ottawa Convention after the city where more than 100 countries agreed to a ban in December.

The new pledge, made in a May 15 letter

from the national security adviser, Samuel Berger, to Senator Patrick Leahy, Democrat of Vermont, contains a very big caveat: The administration did not set a firm deadline for the Pentagon to come up with an alternative.

The pledge is symbolic, in large part because Mr. Clinton will no longer be president by 2006. But it sets a path to bring the United States into compliance with the treaty.

Officials at the Pentagon played down the impact of the pledge. "It's optimistic to say you can have alternatives by any deadline," a senior defense official said Thursday.

Nonetheless, the administration's position is an evolution. "Now it becomes a question not of if we'll sign it, but when," said Mr. Leahy, a leading advocate of an international ban.

I'll Throw in \$5' (and Win \$104 Million)

By Pam Belluck
New York Times Service

STREAMWOOD, Illinois — Pretty much every day since Frank Capaci retired from his job as an electrician, he has stopped in at his favorite bar, Bill's on Bartlett, and downed a few beers.

So on Wednesday, Mr. Capaci was there when one of the bartenders announced that she was driving to Wisconsin to buy tickets for the United States' largest lottery jackpot — \$195 million.

"I said: 'Here, I'll throw in five

bucks. Why not?' " Mr. Capaci said.

On Thursday, Mr. Capaci, 67, a burly, gray-haired man who has lived in this Chicago suburb for 39 years, sauntered into Bill's for a drink around 12:30 P.M. The bartender, Pam Rooney, handed him a sealed envelope with five tickets. One of them contained the winning numbers: 4, 9, 30, 34, 48 and Powerball 8.

"He opened it up and couldn't read the numbers," Ms. Rooney said. "So I took it and read them and said, 'You won, you won!'"

And so it was that in the course of his hometown routine, Mr. Capaci beat odds

that were more than 80-million-to-1.

"I just came in for a drink," said Mr. Capaci. "This is my place."

By Thursday evening, Mr. Capaci and his wife, Shirley Mae, 63, a retired secretary, were still at Bill's buying drinks for what looked like everybody in town.

Asked what he would do with the money — Mr. Capaci had elected to take his winnings in one lump-sum payment of \$104.3 million — he said he and his wife would split some of it with their three adult sons. He also said, according to a friend, that his friends would "drink free for the rest of their lives."

Away From Politics

• PanAmSat said that satellite service had been restored to its paging and other telecommunications customers but that it might be a few days more before all beepers and other communication devices were working again. (AP)

• The first two studies of mental development in babies conceived using a popular test-tube technique have come to different conclusions about whether those children may be developmentally delayed. It remains unclear whether the estimated 10,000 babies conceived by intracytoplasmic sperm injection are more likely to have intellectual deficits than those conceived naturally or using standard in vitro fertilization. (W/P)

• The federal government is making a special pitch to the public to avoid drinking and driving, as the summer leisure season kicks off with the Memorial Day holidays. Transportation Secretary Rodney Slater said police across the country plan a variety of enforcement actions in an effort to curtail deaths this year. (AP)

• The governor of New Mexico banned drive-up liquor sales, a practice some blame for giving the state the worst alcohol-related traffic fatality rate in the country. (AP)

• New York City responded with a heavy show of force to plans by cab drivers to disrupt traffic. The city blocked cabs without passengers from coming into Manhattan, ringed City Hall with barricades and dispatched police officers to follow a crowd of drivers marching to protest tough new rules on cab operators. (NYT)

Big Tobacco Strikes Back, And Legislators Back Off

Ads Credited With Delaying Senate Vote on Bill

By Melinda Henneberger
New York Times Service

WASHINGTON — The tobacco lobby has pulled off a surprising public relations coup, and won a round on Capitol Hill this week, thanks in part to the televised image of a harried, sweaty waitress with earrings the size of onion rings who leans into the camera and sighs: "I'm no millionaire. I work hard. Why single me out?"

That commercial, sponsored by the U.S. Chamber of Commerce, is part of a major advertising and lobbying campaign that has been remarkably successful in turning what tobacco opponents view as a bill that would discourage teenage smoking into a tax issue and an assault on working stiffs who cannot afford to pay more for cigarettes.

The campaign, by the tobacco industry and its allies, includes the purchase of television time in at least 50 major media markets, and lobbyists on both sides say it was a big factor in the decision to postpone a Senate vote on the bill, originally scheduled for Thursday.

Both sides described the delay, which will last until after Congress returns next month from recess, as at least a short-term gain for the tobacco industry.

Scott Williams, a spokesman for the industry, called the postponement "a victory for reality."

Linda Crawford of the American

Cancer Society said: "We've got a stalled bill. If they had really wanted to protect kids and not the tobacco industry, we'd have had a vote today. Their ads have been effective."

TV ads sponsored by the tobacco companies use "man on the street" interviews — of one sentence or less — with real working people who oppose the bill. One features an exploding cuckoo clock that says, "Washington has gone cuckoo again. Washington wants to raise the price of cigarettes so high there'll be a black market in cigarettes with an unregulated access to kids." The industry's print ads say: "Big taxes, big government. There they go again."

One thing the ads do not even try to do is buff up the industry's image. "You don't have to like the tobacco industry to have real concerns about where Washington is headed," a print ad says.

The American Cancer Society is running a relatively modest counter-campaign, with a TV ad featuring Dr. C. Everett Koop, the former surgeon-general, saying: "When you see the advertising from the tobacco industry, consider the source. These people are experts at manipulation, and have been lying to the American people for decades."

The Senate bill would, among other things, raise the price of cigarettes by \$1.10 a pack over the next five years and require companies to pay penalties if youth smoking did not decline.

EL GORDO DRAW

Your Odds of Winning One of 10,419 Prize Tickets in the US\$1.2 Billion El Gordo Lottery are 1 in 6.

• Get Your El Gordo Tickets Today for the Big Draw on July 4, 1998
• Special Bonus: Enter Before June 22, 1998 for a Chance to Win 100 Bonus Tickets

Over US\$1.2 Billion in lump sum, tax free cash is paid out every year in El Gordo — Spain's richest National Lottery.

Imagine what you could do with millions of dollars... Buy a new home? Quit your job? Take a trip around the world?

Now, here's how you can realize your dreams. El Gordo, which means "The Fat One", holds 2 Draws each year — July and December — paying out a total of US\$1.2 Billion.

In the next Draw on July 4, 1998, there are 10,419 prize tickets you can win worth a total of US\$131,457,956 — with over US\$20 Million paid out for the WINNING TICKET.

The odds of drawing any winning ticket in El Gordo's multi-million Dollar Draw is 1 in 6. When your ticket wins, you'll receive your cash prize in one lump sum and FREE of Spanish Government taxes!

► Order Now and Get a Free Ticket for Every Book of 10 You Order... Using the Entry Registration Certificate below, order the number of tickets you wish to receive — from a minimum of 1 ticket for US\$75 up to 2 Books of 10 tickets for US\$1300.

As a Special Offer, you'll get a FREE ticket for every Book of 10 you order. Or buy a Book of 20 and get 2 extra tickets FREE! These FREE tickets can bring you closer to winning one of the huge cash prizes.

As soon as your Entry Certificate is received, you'll be sent by return an Official Confirmation of Ticket Purchase which will show you the El Gordo ticket numbers which have been entered for you in the July Draw.

The actual tickets will be sent to you along with the Official Results statement shortly after the Draw (except for winning tickets which will be kept by El Gordo Lottery authorities after your prize monies are collected and paid to you).

► Enter Right Away to Win One of the 10,419 Prizes... With a multi-million dollar JACKPOT PRIZE and with winning odds of 1 in 6, you can understand how fast the tickets are selling for the July El Gordo Draw.

Send your completed Entry Certificate now along with your payment, well before the deadline, for a chance to win one of the multi-million dollar prize winning tickets. Buena Suerte! (Good Luck!)

Playing is Guaranteed Safe and Secure

El Gordo is under the control of the Spanish Government. Your tickets will be deposited in escrow in one of Spain's largest federally-chartered banks. When you win, your prize money will be transferred to you in U.S. Dollars — awarded to you in the full amount and completely free from Government taxes.

BONUS DRAW VOUCHER

WIN 100 FREE EL GORDO TICKETS

NAME: _____

ADDRESS: _____

CITY: _____

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New Question in Indonesia: What to Do About the Riches of Suharto Inc.

By Keith B. Richburg
Washington Post Service

JAKARTA — As former President Suharto began the life of, as he put it, "a simple citizen," Indonesians faced a new and potentially wrenching question: what to do about the billions of dollars in wealth amassed over three decades by Mr. Suharto, his children and his cronies?

A large part of Mr. Suharto's mixed legacy to his country is a far-flung business empire, sometimes referred to as "Suharto, Inc.," controlled by his six children, a half-brother and a host of other relatives, friends, associates and assorted hangers-on.

The Suharto children are all reputed to have become multimillionaires by trading on their direct line to the president, with interests in everything from clove

cigarettes to toll roads, from petrochemical plants to automobile manufacturing.

So pervasive is the first family's reach into the Indonesian economy that a long-running joke here is that the corruption begins as soon as you arrive at the Jakarta international airport: You can buy a pack of cigarettes, hop in a taxi, take the toll road to the city and check into a hotel, putting money into a Suharto family member's pocket with each step.

Several family members head their own business conglomerates. Mr. Suharto's son Bambang Trihatmodjo manages Bimantara Group, which produces the Cakra car, owns newspapers and broadcast outlets and is involved in petrochemicals, a gas pipeline and has the majority stake in the Grand Hyatt Hotel.

A younger son, Hutomo Mandala Putra, or Tommy, runs Humpuss Group,

with involvement in communications, the clove monopoly and a competitor local car, the Timor. The former president's daughter, Siti Hardianti Rukmana, has Citra Lantoro Gung Group, which has built toll roads and other facilities, and is involved in power stations and transportation projects.

And the children are not the only ones. Mr. Suharto's half-brother, Sudwikatmono, is involved in banking, monopolizes movies here through his control of the import of films and all the theater chains, and has a variety of restaurants, supermarkets and hotels. Even a Suharto grandson, Ari Sigit, is involved, with retail outlets, a share in a water-distribution company, a share of tax collection on alcohol sales, and the monopoly for the export of birds' nests, which are used in Chinese food dishes around the region.

The blatant use of the family connection to win a commanding slice of the national economy has made the Suharto relatives the object of widespread hatred — more so, it seems, than Mr. Suharto himself. During the violent outbreak in the capital on May 14, rioters targeted the most recognizable symbols of the first family's wealth, including offices of Bambang Trihatmodjo's Bimantara company and Tommy Suharto's Timor showrooms. Golden Truly grocery stores owned by Mr. Sudwikatmono were also looted and burned.

Mr. Suharto himself has always lived modestly, largely shunning Indonesia's official presidential palace, Merdeka, and remaining at his comfortable house in the Cendana district. He has never been known to dress in fancy clothes or wear expensive jewelry. Still, he is re-

ported to be one of the world's wealthiest individuals, with Forbes magazine calculating that he is the sixth-wealthiest person in the world, with a net worth of \$16 billion. The Suharto family was listed as worth a total of \$30 billion.

Much of Mr. Suharto's own wealth is generated through an extensive network of charitable foundations he heads. Money raised by the charities has been used to support the political operations of the ruling Golkar party. Critics have called for investigations into whether Mr. Suharto has transferred his wealth to secret bank accounts in Europe.

For the young protesters whose bold "people power" movement toppled Mr. Suharto's carefully constructed New Order regime, seizing at least some of the first family's wealth and returning it to the nation's cash-strapped treasury is now

the unfinished part of their revolution. Benny, 19, a technical school student from Trisakti University, who was standing apart from the other cheering young people at the Parliament grounds celebrating the news of Mr. Suharto's departure, said he did not approve of the way in which Mr. Suharto's resignation had been handled.

"His children are still the heads of businesses," he said. "They must be charged, brought to court."

Arief Nurbani, 25, an economics student, said that "first and foremost, the wealth must be nationalized. That wealth belongs to the people."

In the minutes after Mr. Suharto announced his resignation and B.J. Habibie was sworn in as Indonesia's third president, the commander of the armed forces delivered his own terse message: "The military will protect Suharto and his family."

But with Mr. Suharto now out of power, many here say that whatever impunity his children enjoyed may have evaporated. Yet experience elsewhere in the world where other strongmen have fallen after amassing huge fortunes shows that toppling a longtime autocrat is sometimes easier, and faster, than retrieving his hidden wealth.

In the Philippines, for example, Ferdinand Marcos was overthrown in the region's first "people power" revolution 12 years ago, but the global efforts to track down and seize the estimated billions of dollars he looted from the national treasury still have not come to a conclusion. The Philippines' likely president-elect, Joseph Estrada, has said that when he takes over at the end of June, he will shut down the hunt, probably by seeking settlements for the amounts still in dispute.

In Indonesia, retrieving the wealth of the Suharto children may prove difficult. One problem here is that much of their money is invested in companies that are publicly listed on the Jakarta stock exchange. "Do you destroy these companies just to get at the kids?" a diplomat asked. "And what about the rest of the shareholders?"

Some financial analysts said that even if a future Indonesian government decided to seize the children's assets in publicly listed companies, minority shareholders likely would be unaffected. One view is that if left alone, the Suharto children will fall victim to market forces. And even after the crisis eases, they will have lost their connection to the presidential palace, and thus their ability to make new money.

"Firstly, they won't get any new contracts," said Harold Crouch, an Australian expert on Indonesia. "Many of their businesses are virtually bankrupt now. Their only asset is their father. What foreign investor will go into business with them now?"

Costly Links to Family Haunting Foreign Firms

By Joseph Kahn
New York Times Service

NEW YORK — For foreign companies seeking riches in Indonesia over the last three decades, President Suharto, his family and coterie of cronies have been commercial gatekeepers, sometimes becoming partners in business ventures with a brasserie that would have made other Asian dictators blush.

Now, with Mr. Suharto ousted by an outbreak of popular unrest, many Asian, American and European companies are left with expensive partnerships that seem unlikely to bear fruit. Indeed, some companies privately worry that their once-valued alliances may prove to be liabilities in the post-Suharto era, particularly if reformers take power and investigate the foreign contribution to the country's endemic corruption.

"I think the opposition is going to be very sophisticated," said Jeffrey Winters, a professor of political economy at Northwestern University. "They do not want to send out a signal of revenge across the board, but they are going to carefully select those foreign companies that have been most egregious. Those that have given the biggest perks to the Suharto family should be nervous."

Few businesses flourished in Indonesia without the support of the Suharto clan. The former president's three sons and three daughters are among the most active business people in Indonesia, presiding over several big monopoly companies and holding hundreds of passive equity stakes in foreign multinational projects involved in everything from petrochemicals to telecommunications. Allying with the Suhartos did not guarantee success, analysts say, but alienating the family ensured failure.

"Access to Indonesia has long depended on having close contacts and paying for them," says Daniel Lev, a political scientist at the University of Washington and a specialist on Indonesia. "There were some foreign companies that were careful to play by the rules, but they were the exceptions."

The list of companies allied to the Suharto family is long, and the types of partnerships varied. But a partial rendering of companies that have developed joint ventures or offered equity stakes to the Suharto children or Mr. Suharto's closest business partners includes Hyatt Hotels, Hughes Electronics, Lucent Technologies, General Electric, Edison Mission Energy and Freepress-McMoran Copper & Gold of the United States, Sumitomo, NEC and Marubeni of Japan, Kia Motors, of South Korea, Hopewell Holdings of Hong Kong, and Deutsche Telekom and Siemens of Germany.

None of those companies has been accused of wrongdoing. Spokesmen for several defended the alliances as part of normal business practices. Moreover, Indonesian law requires investors in some areas, including basic infrastructure and mining, to offer stakes to local businesses, even if that partner contributes little in the way of capital or expertise.

Still, some executives with long experience in Indonesia worry not only

about the country's collapsed economy, where per capita income has plunged from about \$1,200 to about \$360 in six months, but also that "strategic" relationships developed over many years may suddenly become liabilities.

"You wake up one morning and find the world turned upside down — that's how I feel," said an executive of a European energy company that has a long-standing alliance with one of Mr. Suharto's sons. "What do we do? We go on as before and hope that whoever takes power wants to keep moving forward."

Some other companies with much at stake in Indonesia declined to comment on their businesses there, or the potential backlash against their ties to the Suharto government. One of the biggest American investors, the New Orleans-based mining concern Freeport-McMoran, is partners with a top ally of Mr. Suharto's, Mohammad (Bob) Hasan, a plywood tycoon and former cabinet minister, and has had dealings with members of the Suharto family since the late 1960s.

"It is too early to tell what the result of this leadership change will be," a company spokesman said.

Lucent Technologies, the former telecommunications equipment arm of AT&T, formed its business ties with one of Mr. Suharto's daughters in the mid-1980s. A spokeswoman for Lucent, Lydia Whitefield, said the company did not expect any short-term adjustments in the ownership of its digital-switch making venture.

Like companies that did business in the Philippines under the long rule of Ferdinand



Bob Hasan, an ally of an American mining company, after a fishing trip last year with then-President Suharto.

and Marcos, companies forging agreements with Mr. Suharto's inner court often viewed that strategy as prudent, not risky. Mr. Suharto personally vetted investment projects and routinely overruled contracts issued by his bureaucracy that he found disastrous. In doing so, the president did not disguise his bias toward his children and his closest business allies — or their partners.

He stoutly defended Indonesia's "na-

tional car" project spearheaded by Hutomo Mandala Putra, his 36-year-old son, against repeated attacks from his own bureaucracy and the World Trade Organization. Kia Motors was the joint venture partner for that deal, now considered scrapped.

Guests at the Grand Hyatt Hotel in Jakarta said that army troops surrounded the five-star luxury hotel during recent riots, apparently to protect the property.

but did not provide similar services to nearby rivals. The Grand Hyatt is owned by Bambang Trihatmodjo, another of Mr. Suharto's sons. The American company Hyatt International manages the hotel.

Mr. Suharto likewise intervened to protect a power-plant project, known as Tanjung Jati, a partnership between the eldest Suharto daughter, Siti Hardiyanti Rukmana, and Hopewell Holdings. The project is now officially suspended.

INDONESIA: Troops Clear Parliament

Continued from Page 1

the road to block army trucks. The soldiers who retook Parliament put on a major show of force, far outnumbering the students and sealing off surrounding roads.

Colonel Hendardi of the military police said the operation was mounted to empty the parliamentary complex "because this building has to be used for members of Parliament to do their work."

In the days leading up to Mr. Suharto's resignation, the military had allowed the students to occupy the legislature despite deploying troops and armor in other parts of the capital to prevent unrest. But in a clear sign of mounting military impatience with the continuing protests, General Wiranto said after Mr. Habibie announced his cabinet Friday morning that the students should return to their campuses.

"I think everything is over now," he said. "Let's make an effort to repair the damage, the physical damage, the mentality damage, as soon as possible."

Earlier Friday, rock-throwing, fist-fights and scuffles broke out after several thousand supporters of Mr. Habibie confronted the anti-government student protesters in Parliament. That clash was defused after troops moved in and separated the two sides. The Habibie supporters then left the complex grounds.

Analysts said the crackdown on the students might raise concerns in the United States and other Western governments that the post-Suharto government was backtracking on early indications that it would improve respect for human rights and push ahead with an easing of tight political controls that made it impossible for opposition groups to mount an effective challenge to the governing Golkar party.

The analysts said the crackdown could jeopardize the resumption of a \$43 billion International Monetary Fund aid package urgently needed by Indonesia to revive its ailing economy.

General Wiranto said the armed forces would back the new government to give it a chance to implement its policies.

"The cabinet will introduce programs for the safety of the country and to rescue it from the situation it is in, and I call on the people to support the cabinet," he added.

Seth Mydans of The New York Times reported earlier:

The new president of Indonesia, B.J. Habibie, named a compromise cabinet on Friday that swept out the daughter and best friend of his predecessor and brought in members of other parties but retained half of the previous lineup.

The new economic team retained key figures from the past even as Mr. Habibie pledged to push forward with



Pro-government activists assailing anti-government protesters Friday near the steps of Parliament in Jakarta.

stalled reforms demanded by the IMF. The announcement was Mr. Habibie's most significant move after replacing his mentor, who resigned under pressure Thursday. But the cabinet failed to silence critics who are calling Mr. Habibie a weak and inexperienced figure beholden to the past.

Supporters of the most prominent opposition figures, Megawati Sukarnoputri and the Muslim leader Amien Rais, declined Mr. Habibie's requests to join the cabinet. Only one member, an associate of Mr. Habibie's, was a representative of Indonesia's vigorous community of non-governmental organizations.

Mr. Suharto's daughter, Siti Hardiyanti Rukmana, who had been minister of social welfare, and his best friend, Mohammad (Bob) Hasan, who had been minister of trade and industry, were gone. But the new cabinet did not include names of equal prominence to signal a turn in a new direction.

ECONOMY: Suharto Is Gone, but the Establishment Remains

Continued from Page 1

pace and direction of the opportunities that have been opened up," the diplomat added.

In the short term, that struggle will center on some crucial issues that President Habibie must soon address.

The first is whether he sees himself as a transitional president who will serve only until new rules can be drafted to allow for fresh elections, or whether he intends to try to stay in power for the remainder of Mr. Suharto's term, until March of 2003. Mr. Habibie himself has made no statement on the question, but one of his advisors, the political scientist Dewi Fortuna Anwar, said in a televised interview: "No president likes to think he's only going to be there for a few months. But he understands the pressures on him."

But Bruce Gale, of the Singapore-based Political and Economic Risk Consultancy, said, "We haven't heard any talk about new elections, which is what Suharto promised a few days ago."

Mr. Gale added that Mr. Habibie "is hoping that the change will be enough — and it's not."

Another issue that must soon be addressed is whether Mr. Habibie will call a special session of the constituent assembly, known by its Indonesian acronym MPR. That body sets the broad outlines of national policy for the president, and last met in March.

At that time, reform was not part of the agenda. Mr. Habibie could call it back, as the reform advocates are demanding, to revise the policy to embrace a new reform agenda. But he also runs the risk that the same body could be swept up by a pro-reform mood and vote to remove him as president.

In determining the outcome of the looming struggle over reform, a key unresolved question here is whether those new forces of change will be able to maintain their current momentum, after Mr. Suharto's departure and some early signals from Mr. Habibie that he has heard and understood their call. Mr. Habibie is widely distrusted by those demanding change; he is seen as the quintessential product of the system, one put in place to preserve, not destroy, the New Order regime.

"Not only Suharto, but Habibie also needs to retire," said one activist. Bambang Subono, of the Foundation for the Advocacy of Civil and Political Rights. "The demonstrations must continue until complete reform is achieved."

The Jakarta-based diplomat said, "If you put the process of reform in the hands of the constitutional remnants of the New Order, then you would have to be a wild optimist to think it's going to move in the right direction."

There are already signs that the movement is becoming divided, with some willing to give Mr. Habibie the benefit of the doubt. At the grounds of the Indonesian Parliament — the focal point of protest since it was occupied by pro-

reform student demonstrators this week — there was intense debate among students and their sympathizers over whether the occupation should temporarily end, or continue until all the demands of the reform agenda are met.

Some outside observers say they believe a fatigue factor is setting in — that is, after months of economic disruption, political turbulence and social unrest that has led to violent rioting, Indonesians are growing tired and would welcome a respite.

Juwono Sudarsono, the newly named education minister in Mr. Habibie's cabinet, said there was now "a lot of political jockeying" among some of the parliamentary factions, particularly the Muslim groups, to support Mr. Habibie's continued stay in office and a delay of any reforms leading to new elections.

"It's a very quick, very fluid situation," he said. "At this point, they feel the momentum has shifted into Habibie's favor, that there is this inertia, and that people will not want to have any protest movement on the ground."

The other, possibly determinant factor is the Indonesian economy. It was the economic collapse that gave fuel to the student protest movement at its start, and many say they think the continuing economic disrepair will sustain it.

"Regardless of what the students do, the fact is that the economy is going to get worse," said Mr. Gale of Political and Economic Risk Consultancy. With the departure of many ethnic Chinese and expatriate businessmen, he said, "it's going to go down even faster."

The economic forces are going to provide fertile ground for any opposition group," he said.

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Give Habibie a Chance? Indonesian Students' Solid Front Suddenly Cracks

By Mark Landler
New York Times Staff Writer

JAKARTA — For the last week, Indonesia's Parliament has belonged to the students, serving as their platform, playpen, and a potent symbol of the crusade that hounded President Suharto from office.

But Friday, the Parliament became a sparring ring, as the student movement began to splinter into factions that support Mr. Suharto's successor, B.J. Habibie, and those who condemn him as a Suharto crony who should be forced out. The two groups jostled and taunted each other for much of a tense afternoon,

as army troops tried to keep them apart and student leaders pleaded for calm.

On Friday night, the army cleared out the building, apparently without violence.

Competing banners told the story. On one side of the long plaza in front of the Parliament building, a white banner strung between two flagpoles said, "Support Reform, Support Habibie." Across the plaza, a black one screamed, "Hold an Emergency Election and Reject the Reform Cabinet."

President Habibie announced his new cabinet Friday morning, winning guarded approval from opposition leaders but provoking howls of protest from

a majority of the students, who say it does not go far enough in sweeping out the unreformed remnants of the Suharto regime.

The trouble is, the students are no longer united in their rejection of Mr. Habibie, as they seemed on the day of Mr. Suharto's resignation. Now, a growing number say Mr. Habibie should be given a chance to demonstrate whether he is up to the job. Many of these students are devout Muslims, which suggests that Indonesia's Islamic community will be a wellspring of support for Mr. Habibie.

"Let's give him a chance," said Yosi Ahlia, a 21-year-old student at Trisakti

University in Jakarta, where the shooting of six students by security forces last week started the fires that later consumed Mr. Suharto. "Habibie hasn't had a chance to do anything yet. We don't have a better candidate right now."

"No, we don't have enough time," replied Marzuhan Fauzi, 25, an alumnus of Trisakti, who was standing next to Mr. Ahlia surveying the crowd of 30,000 students from a balcony at the Parliament. "We need to have total reform for the country. We must hold an emergency session of the Parliament."

Mr. Fauzi has good reason to be impatient. He earned a degree in man-

agement last October and has been jobless ever since. Mr. Fauzi, who said he lives on handouts from his parents and friends, argues that Indonesia must make a clean break with its past if it hopes to revive an economy that is in shambles.

The balance of sentiment is still strongly against the new president. "Habibie is Suharto's toy," said Yulbahri Chaniag, a 35-year-old alumnus of the University of Pancasila, in a typically dismissive comment. But Mr. Chaniag acknowledged that not all the students shared his low opinion of the president.

Many of Mr. Habibie's supporters are students at Islamic schools, who believe that a Habibie administration will pro-

tect their religious interests. Mr. Habibie seems to be reaping the benefit of years spent cultivating Indonesia's Muslim leaders. In 1990, Mr. Suharto put him in charge of the country's most prominent Muslim think tank, the Indonesian Association of Muslim Intellectuals.

These students also believe that Mr. Habibie himself is a more devout Muslim than Mr. Suharto, whose religious commitment has always seemed suspect to people in the Islamic community.

"As a Muslim, I would prefer for Islam to govern Indonesia," said Darwin Agus of the Islamic Youth Movement. "But for now, Habibie is enough for us. We want to give him a chance to solve the problems of Indonesia."

The Islamic Youth Movement's mere presence at the Parliament angered students. Its members are not university students, and should therefore not have been allowed into the Parliament complex. But 300 members of the group slipped past soldiers and students guarding the entrance and made their way to the stairs in front of Parliament, where they chanted slogans in support of Mr. Habibie.

The students, who have been nervous about efforts to sabotage their movement from the beginning of the protests, said Friday that the Muslim contingent had been organized by a third party to weaken the unity of the students. Some students muttered darkly that the Habibie government was behind it.

Still, the support for Mr. Habibie goes beyond outsiders. Behind the Parliament building, students from Islamic schools organized another rally, which tried to march into the main plaza and was stopped short by the army. Abdur Rahman, a representative for this group, said they did not want to clash with anti-Habibie students, but merely wanted to express support for him.

Such words did little to soothe the rest of the students, who brooded about the split and vented their anger by tearing down pro-Habibie banners. Just one day after Mr. Suharto's resignation, the jubilation of these students has given way to a recognition that politics in Indonesia is a complicated business.

To some extent, the students are victims of their own success. They began three months ago with the singular goal of forcing Mr. Suharto out of office, and they have done that. But they never put much thought to who should replace him.

Aside from Amien Rais, a moderate Muslim leader who enjoys the affection of students, nobody has emerged as the voice of the movement.

"The fall of Suharto is not the final move," said Herman Nopiah, a 26-year-old student at the University of Indonesia, as he took stock of a messy day in the business of political upheaval. "It's like a chess game with more moves to come."



Emily Lau, right, a democracy activist in Hong Kong who leads the Frontier Party, campaigning Friday in Tai Wai in the New Territories.

Hong Kong Democrats Hoping for Moral Victory

By Keith B. Richburg
Washington Post Staff Writer

HONG KONG — Compared with other Asian elections, like the recent one in Cambodia, Hong Kong's election on Sunday might seem staid.

Unlike the Philippines, there are no weeping widows clutching rosaries, no action-film stars vying, apparently successfully, for high office. And, in marked contrast with Cambodia, the wars here are all rhetorical, the clashes carried out with words in televised debates, not AK-47s in the jungle.

Which is not to say that Hong Kong's elections Sunday for 60 seats on its legislative council are lacking in color or close races. There is a set of twins running for the pro-Beijing party. There are three guys named Wah, running on a single ticket as, of course, "The Three Wahs." And there are the life-size plywood cutouts of Martin Lee, the champion of democracy, sprouting around town.

Perhaps most important is that the contest is taking place at all. A year ago, when China regained control of Hong Kong from Britain, Beijing's rulers scrapped the democratically elected legislature and replaced it with a pliant group of pro-China activists and business leaders. The region's most popular politicians — all democracy activists and fiercely critical of Beijing — were banished to the political wilderness. And Hong Kong's friends and allies fretted that Hong Kong's nascent democracy had become the first casualty of Chinese rule.

Now most opinion polls show that the democracy politicians are poised to make a comeback to the chamber from which they were ousted last year. Only 20 of the 60 seats are directly elected, and new, more complex election rules have been written to reduce the number of opposition politicians who can win.

But Mr. Lee's Democratic Party still seems certain to win back at least a dozen geographic seats and, together with like-minded allies, the democracy camp should take a minimum of 16 seats, analysts say.

"People in general tend to support the pro-democracy camp because they would like to support critics of Beijing and critics of the Hong Kong government, so there will be some checks and balances," said Joseph Cheng, a political scientist at City University of Hong Kong. "So the Democratic Party and Emily Lau's Frontier Party will do very well."

The legislature is largely powerless. Under Hong Kong's executive-led government, legislators cannot even introduce bills that affect the region's finances or have implications for government policy. But the legislature can hold public hearings, question of-

ficials and use the chamber as a forum to criticize government policies.

After a year of dealing with a largely rubber-stamp, appointed legislature, the Hong Kong chief executive, Tung Chee-hwa, "is in for a really nasty shock," said Michael DeGolyer, who heads the Hong Kong Transition Project, which monitors local attitudes toward politics and the transition to China.

"He's going to have to go through a real learning experience dealing with an honest-to-goodness watchdog," Mr. DeGolyer said. "Instead of that three-quarters muffled, blind, deaf and dumb and partially crippled legislature he's had."

He added that his survey results showed as many as 27 votes in the incoming legislature favoring a human rights and social welfare agenda.

Under the new rules — a cumbersome version of proportional representation — the Democrats can win more than 60 percent of the vote in a district with four seats at stake but still be awarded only two of the seats. The other two would be split between the losers, under one very likely scenario.

Also, when voters go into the polling booths, they will have to choose from a list of names. There will be no party labels attached, no party symbols and not even pictures of the candidates. Analysts said this was a deliberate attempt to strike at the Democratic Party. While its name and symbol, a white dove, are widely known, it is fielding a number of lesser-known candidates.

To help voters remember candidates' names, the life-size plywood cutouts of the instantly recognizable Mr. Lee lists names of Democratic Party candidates.

Thirty of the 60 seats will be elected by small groups known here as "func-

Ethnic Chinese Flock Back to Jakarta

Compiled by Our Staff From Dispatches

SINGAPORE — Thousands of Indonesians, many of them ethnic Chinese, who fled their country during anti-government rioting are flocking back home now that President Suharto has resigned.

Twelve flights a day to Jakarta on Singapore Airlines, its SilkAir subsidiary, and the Indonesian Airline Garuda were fully booked through Monday. Mr. Suharto resigned Thursday.

By Friday evening, only a handful of first-class seats were available on Singapore Airlines flights Tuesday to Jakarta.

"All the Indonesians decided to go back as soon as they could," a reservations clerk for Garuda said Friday. She said the majority of the airline's seats on flights to Jakarta were taken by Indonesians.

About 2,000 people a day have booked flights, most of them ethnic Chinese Indonesians who had fled when mobs turned against them, burning their shops and attacking their houses.

But for some, the situation is still too risky.

The Tan family waited with 40 to 50 other Indonesians just outside the Australian Embassy on Thursday, as they sought temporary visas.

The Tans said they would take a vacation in Australia and wait awhile to see if violence had calmed down for good in Indonesia.

But a Chinese man waiting in line said: "We don't want to go back ever again. We're tired of being knocked on whenever things go bad."

An ethnic Chinese Indonesian said he was returning to his home in the Jakarta area because it seemed "quieter now and it should be O.K., but if not I'll cancel the flight."

An Indonesia-based expatriate employee of Siemens of Germany said he and his family were headed back to Jakarta on Saturday.

"It is our decision," he said. "Jakarta has quieted down some and my wife and children are Indonesian and want to go home." (AP, Reuters)

LABOR DAZE By Harvey Estes and Nancy Salomon

ACROSS

1 Like some Swift writing

7 Gallery event

14 "My Cup Runneth Over" singer, 1967

20 Zany comedy classic

21 Blows the joint

22 Egghead

23 Fence builder's job?

25 Storied raider

26 Writer Ferber

27 Minds with "to"

28 Green hole

29 Chinese dynasty when Jesus lived

30 Roots may need this

31 Et —

32 Bygone music genre

33 Giving the once-over

37 Architect's job?

42 Winner's look

44 Least bit of concern

45 Pre-Columbian Peruvian

46 Strip

47 Singer profiled in "Sweet Dreams"

48 Unit of 97-across

49 Push to the limit

50 Ends of letters, briefly

51 Sleepy musician's job?

57 "What Kind of Fool —"

58 Authority, metaphorically

59 Like an empty ship at sea

60 Judge's cry

61 Ball park license

67 Fliers with narrow waists

69 Cinch

70 Singed parts, usually

71 Kind of drum

73 Chaney, the Man of a Thousand Faces

75 "Fancy that!"

76 Sculptor's job?

82 —Magoon

84 Shoe color

85 Drive

86 Puts to flight

87 Runners' location

88 Rock projection

90 It's fit to be tried

91 Leaves

92 Politician's job?

96 1970 hit

97 "Hitchin' —"

98 Poe's concern

98 It's not free of charge

99 Nati, Popcorn, Poppin' Muntis

102 Time div.

103 Main ingredient in a Monte Carlo

105 Like some pitches

106 Tudor queen

110 Bear

112 Feather packer's job?

115 Sen. Gaylord — who originated Earth Day

116 Make more precipitous

117 —Park, N.Y.

118 They're driven in droves

119 Some TV spots

120 One with a light workload?

DOWN

1 Barbara Stanwyck film

2 Word before "go"

3 Just like ewe?

4 Mercury org.

5 Chemical suffix

6 Stealthy

7 Fortas and Lincoln

8 Cession

9 Post laureate of 1992

10 Maintain, as attention

11 Warmly welcomes, perhaps

12 "Fairy tale"

13 Allen force, briefly

14 Isaac's eldest

15 Decked out

16 Gardner of "The Sowers of Killmanjaro"

17 Automotives

18 Magnifies

19 Manager of five straight World Series championships

24 Screen

28 Like some lenses

31 Best-selling author Cart

33 Reagan prig.

34 Middle Prefix

36 Chatterboxes

37 Like some vases

38 "Grab —"

39 Clincher

40 Photo process

41 Hack

42 Covered with go

43 Potential space colony activity

47 Want

48 Andy Capp's wife

52 Make muffs

53 VCR button

54 Kind of I.R.A.

55 Hoop: hot spots

56 Bambooize

61 Bench locale

62 Builds

63 Offends

65 Put in plaintiff

66 City in Kyrgyzstan

67 Servicewoman, acronymically

68 "Speak" response

69 Exterior lifespan

71 "Puh-leasel"

72 Generic

73 Accas the Web

74 Rousing cheer

77 Longing

78 Long in politics

79 Bombeck of "At Wit's End"

80 Oculograph inventor Karl

81 Forsaken

82 Mozart solo feature

83 Arouse again

87 Pollen bearers

88 Snaggled

89 Disrespects

90 Start of something big

93 Guerrilla's campaign

111 Purpose

94 Lipton rival

95 Lowdown

99 Spring locales

100 Belief

101 One catching his opponent's ear?

104 Longs

106 Blockhead

107 Classical decorative object

108 Landers and others

109 Start of something big

112 Clock std.

113 Time for lies

114 Something to chew on

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Solution to Puzzle of May 16-17

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
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BRIEFLY

India and Pakistan Trade Fire

NEW DELHI — India and Pakistan traded fire across the border for a second day Friday, India said, again accusing Pakistan of escalating clashes to hide the infiltration of militants into the disputed Kashmir region.

After exercising utmost restraint, our troops retaliated appropriately," an Indian Defense Ministry statement said. It was the second straight day that India accused Pakistan of heating up the frontier to assist guerrilla movement. A Pakistani official called Thursday's accusation baseless. (AP)

Ramos Vows to Protect Estrada

MANILA — President Fidel Ramos of the Philippines dismissed reports on Friday of a plot by rightist soldiers to murder his newly elected successor, Joseph Estrada, but promised to protect him.

Mr. Estrada, the vice president who won the presidential election this month and takes office on June 30, was quoted in local newspapers as saying he had been told of plans by a military group to murder him. The group allegedly involved in the plot is the Nationalist Revolutionary Alliance.

"I think we should not give any credence to all these reports," Mr. Ramos said. "As the outgoing president, I would be the first one to make sure that the vice president's life is preserved." (Reuters)

Mexico Protests Over U.S. Sting

MEXICO CITY — Mexico says it will formally protest a U.S. undercover operation that exposed drug money-laundering of more than \$110 million through 12 Mexican banks, because U.S. agents acted secretly in Mexico without informing the government.

On Thursday, Attorney General Jorge Madrazo Cuellar accused the United States of deceiving Mexico by making officials here believe that the entire three-year undercover operation had been conducted inside the United States. (NYT)

Afghan Forces Clash Near Kabul

KABUL — The heaviest fighting in 10 months broke out north of Afghanistan's capital on Friday when the Taliban Islamic militia launched an attack on opposition positions, but the commander of the opposition forces, Ahmed Shad Masoud, said they had repulsed the attack.

The sound of artillery could be heard during the morning, and Taliban bombers took off from Kabul's airport. (Reuters)

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EDITORIALS/OPINION

Herald Tribune

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Break With Suharto

Handing power from President Suharto to Vice President B.J. Habibie does not solve Indonesia's political and economic problems. Mr. Habibie is little more than a Suharto acolyte. The only way he can gain legitimacy even as an interim leader is by immediately setting a date for democratic elections, giving his cabinet a reform agenda and moving decisively against the corrupt business practices of the Suharto era.

Mr. Suharto's surprising decision to resign the presidency is welcome. Failure to do so would have guaranteed prolonged economic and social turmoil. But avoiding further turbulence will be possible only if Mr. Habibie puts Indonesia on a new course. In his previous role as minister of research and technology, he became a conspicuous symbol of wasteful spending. He now promises a more responsible approach, but it is not yet clear whether his actions will match his words. Neither Washington nor the International Monetary Fund is likely to provide much financial help unless Mr. Habibie ends cronyism and institutes financial and political reforms.

Some changes, like phasing out consumer subsidies and letting interest rates rise toward market levels, will be painful to the poorest Indonesians. International lenders should give Indonesia some leeway to stretch out the timetable for reducing subsidies and

should agree to reschedule the repayment of old debt. But this should be done only after responsible monetary and fiscal policies have been put in place and preparations for free elections are under way.

Recent experience in Thailand and South Korea suggests that citizens are more willing to accept austerity measures from governments whose own business ethics and democratic practices are not in question. Mr. Habibie mistakenly seems to believe he can serve out the remaining five years of Mr. Suharto's term.

Prolonging his tenure could set off a violent struggle for power, perhaps involving such military leaders as General Wiranto, the defense minister, and General Prabowo Subianto, the elite corps commander who is also Mr. Suharto's son-in-law. Washington should firmly press for free and fair elections at the earliest possible date.

Indonesia, rich in oil and other natural resources and with an economically viable manufacturing sector, has the capacity to work its way back to prosperity. Its robust civic organizations, nurtured in recent years with American foreign aid, have been a training ground for future democratic political leaders. Mr. Habibie can point the way by making a decisive break with the past and readying his country for an elected successor.

—THE NEW YORK TIMES

Hitched to a Red Star

Two currents joined in the House on Wednesday to produce an extraordinary bipartisan indictment of President Bill Clinton.

One current flows from the shortfall in space-launching capabilities that for years has forced the United States to look to China to launch its ever-growing numbers of civilian space satellites. So pressing is the American need that even when Washington tightened technology-transfer standards after the Chinese massacre of dissidents in 1989, a national-interest waiver was included to keep such launchings possible.

The other current flows from Mr. Clinton's vulnerability to criticism over fund-raising practices in 1996 and specifically over the large contributions by a Chinese military officer affiliated with a Beijing aerospace company and by the president of Loral, the big American satellite company. For the House, these disclosures were the last straw. With most Democrats joining in, it moved to repudiate the administration's past handling and future control of all satellite and weapons-technology exports.

In 1996, one of those Chinese launch-

ings failed, and in its aftermath the Justice Department opened a criminal investigation into whether the Loral and Hughes companies had violated laws against sharing sensitive information. Thus rose the specter of American assistance to a Chinese missile program.

Still, in February, Mr. Clinton gave the requisite waiver to a Loral subsidiary to send up another satellite on a Chinese missile. The Justice Department worried that the new deal could affect the criminal inquiry, but the national security agencies, as well as the Commerce Department, approved. The administration insists it is an unexceptionable deal of the sort that has become routine in two administrations. The House found the deal "not in the national interest," 417 to 4.

Now the administration and both houses of Congress are in an investigative mode. Grave charges affecting not only campaign integrity and political reputation but also national security remain to be explored and resolved. They must include whether the United States should be hitchhiking at all on Chinese rockets.

—THE WASHINGTON POST

Guns in the Schools

It is no longer possible to pretend that fatal school shootings are a tragic aberration that can be shrugged off as too difficult to control. The latest shooting spree — by a 15-year-old boy in Springfield, Oregon — cries out for national guidelines to handle these cases and stronger laws to deny children easy access to guns and ammunition.

The teenage suspect in Oregon reportedly brought a gun to school Wednesday. He was suspended, arrested by the police and returned to the custody of his parents in what looks, in retrospect, like incredibly lenient treatment. He returned to school Thursday and opened fire in the cafeteria with a semiautomatic rifle. His rampage killed two students and left several others critically wounded. The bodies of two adults believed to be his parents were found during a subsequent police search of his home.

The repeated incidents of gun violence by children should alarm even the most die-hard opponents of gun control. A month ago a 14-year-old boy killed a teacher and wounded two students and another teacher when he opened fire at an eighth-grade graduation dance in Edinboro, Pennsylvania. A month before that, in Jonesboro, Arkansas, an 11-year-old boy and a 13-year-old boy opened fire on classmates, killing four students and a teacher and wounding 10 others.

Amid this tragic toll, it is not too much to demand that Congress rise above its traditional allegiance to the contribution-wielding gun lobby and enact legislation to keep children from getting their hands on loaded guns. Representative Carolyn McCarthy of

New York plans to introduce a bill that would strengthen the laws prohibiting children from having access to handguns, impose criminal penalties on adults who fail to lock away their firearms and mandate that gun manufacturers produce safer and child-proof weapons.

Beyond that, the schools and the local police badly need guidelines, drawn up with the help of the national authorities, that set forth how best to react when youngsters make threats or pull weapons on their classmates. The tragedy Thursday was not the first that looks as if it might have been averted by a firmer response to the first hint of danger.

—THE NEW YORK TIMES

Other Comment

Good-Bye to Mayor Barry

Mayor Marion Barry's decision not to run for a fifth term is best for him and for the U.S. capital. Stripped of chief executive powers by a Congress grown tired of his mercurial, divisive and ineffective leadership, and faced with a financial control board created to solve a crisis partly of his making, the once-powerful mayor has been left to perform largely inconsequential, ceremonial functions. It is clear that he is not the person to keep the city's books balanced, to reform the government's management and finances or to improve the city's relationship with Congress. That's a huge, demanding job indeed — but for someone else.

—THE WASHINGTON POST

Isolating Kabila Just Hastens Congo's Slide

By David Shearer

LONDON — A year ago, Laurent Kabila marched triumphantly into Zaire's capital, Kinshasa, deposing President Mobutu Sese Seko, one of the world's longest serving dictators.

As head of the renamed Democratic Republic of the Congo, Mr. Kabila was never going to have an easy job. He inherited a country the size of Western Europe with a \$14 billion debt, rampant inflation of more than 700%, government institutions in near-collapse and corruption that had become institutionalized because salaries were never paid.

But now he also faces an increasingly hostile international community that is tired of his lack of direction, his lack of progress on human rights and his erratic style of leadership. Western donor nations never did pledge unequivocal support; their approach has been to wait and see before getting behind Mr. Kabila.

But standing on the sidelines may be hastening Congo's slide into more authoritarian rule and conflict. That is a horrifying thought. Of the nine countries bordered by Congo, seven faced internal conflict last year. Two of them, Rwanda and Angola, each soaked up more than \$1 billion a year of donor money at the height of their crises.

If ever there was a need for preventive diplomacy, it was here. The more the West criticizes and isolates Mr. Kabila, the more he lurches in the other direction.

Without Western support, Mr. Kab-

ila has few options. The roads, hospitals and schools are still in the same deplorable state, and the country's 45 million people have seen little change for the better. Even with international pressure for elections, few politicians anywhere in the world would go to the polls knowing that they have accomplished nothing.

Growing dissatisfaction from a population whose expectations have been raised after the end of Marshal Mobutu's 32-year rule are likely to be met by harsher crackdowns by the new police and the army.

Also, there few alternatives waiting in the wings. The army appears loyal to Mr. Kabila. There are no signs of opposition among his inner circle. And opposition figures from Marshal Mobutu's time do not command sufficient popular support to mount a serious threat.

Admittedly, Mr. Kabila has not helped his relationship with the West. His pan-Africanist, anti-imperialist rhetoric is a relic of the 1960s and not typical of the new African leaders. His recent visit to Libya seemed designed to antagonize the West. The government lacks cohesion and vision. This is not surprising. Unlike Presidents Yoweri Museveni of Uganda and Paul Kagame of Rwanda, Mr. Kabila was plucked out of obscurity and swept to power in only seven months by the direct intervention of the Rwandan

Army. There was little chance for him to formulate a hierarchy or clear policies, as his contemporaries were able to do during their long resistance campaigns in the bush.

His administration has also badly handled the UN commission that is investigating the deaths of thousands of Hutu refugees from the camps on Rwanda's border. The commission was forced to leave before it had completed its mission. But the Kabila administration is not entirely to blame. The commission is widely dismissed by observers in Kinshasa as incompetent, and the inept way it went about developing a relationship with the government contributed to its own demise. The interaction between the two, an international diplomat noted, "was like a race to the bottom of the sea."

But it has now placed donors in a difficult situation. Much development assistance was made contingent on the commission's findings. It is harder to hold the high moral ground when there is fault on both sides.

The government has so far received much less than what had regularly been paid to Marshal Mobutu's corrupt regime. The Congolese themselves are perplexed at donors' hesitance to help them. Even if the commission found Mr. Kabila's government partly to blame, many Congolese believe the Rwandans were behind most of the disappearances. As one Congolese noted: "Why should ordinary people continue to suffer because of it? Haven't

we suffered enough under Mobutu?" They have a point. Congo's population continues to live in appalling conditions. Cholera, polio and other preventable diseases are rampant, and Congo is the center of diseases such as Ebola and monkey pox. The state of the country's roads are catastrophic, and many villagers who depend on agriculture for their livelihoods simply cannot move their goods to markets. Public health care is almost nonexistent. It took three decades for Marshal Mobutu to run the country into the ground. It will take longer to rebuild.

In the meantime, Congo's future stability will dominate the degree to which peace can be achieved in the region. Rwanda and Uganda are not entirely happy with Mr. Kabila's progress, but at least they now have a sympathetic ear in Kinshasa, as opposed to a regime that armed the rebel factions that are destabilizing their countries.

The current administration in Kinshasa needs to feel more secure if Mr. Kabila is to work more closely with his regional allies. For this reason alone it is time to change from a wait-and-see approach to one of constructive engagement. The current policies have merely isolated Mr. Kabila and exacerbated his erratic behavior. Too much is at stake for Congo to fail.

The writer is a research associate at the International Institute for Strategic Studies. He contributed this comment to the International Herald Tribune.

A Troubled Asia Resists America's Sense of Order

By William Pfaff

PARIS — President Suharto of Indonesia has responded to Madeleine Albright's disabbling demand that he resign by doing so, but in favor of Vice President B.J. Habibie.

Mr. Habibie has no independent power base, and President Suharto may reasonably, if not entirely reliably, expect him to be a pliant defender of the interests of the Suharto family, its entourage, and of the policies by which Indonesia has been governed for 32 years.

Secretary of State Albright would undoubtedly like this to be good enough to keep Indonesia quiet. It probably will not. Events in Indonesia in recent days have demonstrated the alienation of the country's intelligentsia, including its managerial and technocratic elites, and of the children of its middle class, whose prosperity owes much to the president.

A more sober omen is that the urbanized poor who have been the principal victims of

globalism's crisis in Asia now have been politically activated. Jakarta's pillaged stores testify to their anger and sense of exclusion from the country's recent prosperity.

The Chinese entrepreneurial class, with its access to the foreign investment money crucial to Indonesia's growth during the last three decades, has been warned by these developments of how precarious its position is in Indonesia. It has been reminded of events in 1965, when ethnic Chinese were the main victims of politically inspired massacres that killed as many as 750,000 people.

Indonesia's political transitions are for the most part conducted with discretion and elegance. Thus the resignation by President Suharto could prove to be the first step in a long transition of power, but one which becomes more radicalized as it progresses.

Certainly the advice of Mrs. Albright and of President Bill Clinton will have only superficial influence on events. The United States, acting through the International Monetary Fund, has thus far imposed upon a reluctant Mr. Suharto its conception of economic reforms, including a currency flotation that victimized ordinary Indonesians, who then took to the streets. The monetary crises in Southeast Asia and South Korea have all been, to a considerable degree, the result of American pressures to open these economies to foreign investment, dismantling barriers to trade and destructive speculation, and then to Washington-dictated IMF austerity programs that protected international investment at severe social and political cost to ordinary people.

The head of the French In-

stitute of International Relations, Thierry de Montbrial, has drawn attention to a common characteristic of several recent developments in Asia. All have demonstrated successful resistance to control by Washington, and all have challenged Washington's ideas about the political and strategic shape of Asia.

The context is that of Japan's continuing, and increasingly angry, refusal to adopt economic policies demanded by Washington. This occurs at the same time that China has successfully been manipulating the Clinton administration on political as well as trade issues, while evading U.S. sanctions.

Then there are India's nuclear tests, conducted in defiance of Washington's nonproliferation policies. Pakistan has made its own preparations to become a nuclear power with help from China, again despite American pressures on both countries, and it may now conduct its own tests. There may

also be an escalation of the struggle over Kashmir, which has already contributed to three wars between India and Pakistan.

Iran is also likely to become a nuclear power. Like India, Iran considers nuclear strategic autonomy appropriate to its antiquity and historical importance, and it is unwilling to allow an American-supported and American-defended Israel to dominate the Middle East.

Mr. de Montbrial observes that while the European nations of NATO have accepted the American post-Cold War strategic order, the major Asian countries question "the capacity of the United States to organize the new world order."

In the absence of that capacity, the question is: What will take its place as the initiative in global affairs visibly shifts toward this Asia that says "No."

International Herald Tribune. Los Angeles Times Syndicate.

U.S. Needs to Give Pakistan Reasons for Restraint

By Mansoor Ijaz and James A. Abrahamson

NEW YORK — In the aftermath of India's five nuclear tests, world opinion is virtually unanimous that Pakistan should exercise restraint. But what reasonable options does the world, particularly the United States, offer Pakistan for its security in return for maintaining restraint?

The Clinton administration must develop a new vision for South Asian security with provisions based on a strategic shield of superpower defense systems such as the United States provides NATO members

and Japan and not on resumption of Cold War levels in conventional military armaments and revocable economic aid.

The need for such a security arrangement is compelling because while Pakistani nuclear tests may rebalance the overall (nuclear plus conventional) regional security equation with India, crossing the weapons threshold in Islamabad and New Delhi may yet deeply disturb the delicate global equilibrium achieved for the rest of

the world's current and aspirant nuclear states. The incentive for Iran to go nuclear, for example, would intensify greatly after a Pakistani test.

Pakistan's security could be enhanced in part by Western powers guaranteeing that India be given no favorable treatment, such as relaxation of licenses for technology, under provisions of global test ban or nonproliferation treaties, should India sign on.

Another component of the security arrangement might in-

clude the United States initially assisting Pakistan with technological and logistical support to set up sophisticated surveillance systems.

For example, ground monitoring facilities could coordinate with geosynchronous satellites scanning microwave traffic over South Asia. Low-orbit optical-imaging satellites could constantly survey known nuclear weapons sites. Longer term, such early warning systems could be buttressed by a defensive anti-missile capability to counter potential attacks.

To make such a proposal palatable for Islamabad's rightly skeptical political and military circles, such facilities could be operated by joint American and Pakistani units under modified provisions of the International Military Exchange and Training program. The initial costs of such an operation could come from what would have been spent for the other forms of aid that the United States was prepared to offer in exchange for Islamabad's no-test commitment.

America not only would benefit by entering the region as a nuclear stabilizer, but also would be able to build a platform for providing political support to Pakistan in its efforts to finally resolve the Kashmir

dispute and bring peace to Afghanistan. Afghan stability would enable access routes for Central Asian oil and gas to be opened for transport to the Indian Ocean. Resolving Kashmir would allow for dramatic reductions in regional military spending.

One could imagine an undeclared but nuclear-capable Pakistan as South Asia's hub of energy development, with Exxon refineries, Unocal pipelines and Shell distributors rather than a tragically depressed nation of underfed, illiterate and religiously zealous people hovering under an umbrella of nuclear bombs.

Only with America's impeccable technological support and President Bill Clinton's moral courage to act decisively can the world be assured of adequate security for more than one-quarter of humanity.

Mr. Ijaz is chairman of an investment management company in New York. His father was a founding contributor to Pakistan's nuclear program. Mr. Abrahamson was director of the Strategic Defense Initiative under President Ronald Reagan from 1984 to 1989. They contributed this comment to the Los Angeles Times.

The Way to Go for It, Bill Gates

By James V. DeLong

LOS ANGELES — After months of mobilizing, the government and 20 states have charged Microsoft with anti-trust violations. In the near distance, moving up to the sound of the guns, are the legions of the Trial Lawyers of America, hoping to collect triple damages from Microsoft for any loss incurred by any software startup over the last 10 years.

The fog of war already is obscuring the battlefield, only here it is made of oversimplifications and bad metaphors instead of cannon smoke. Joel Klein, head of the Justice Department's antitrust division, says that Microsoft's practice of bundling its Internet browser with the Windows operating system is like a manufacturer of compact disc players insisting that people buy only its own brand CDs. Microsoft says that what the government wants it to do, which is to ship a competing browser with the operating system, is like requiring Coke to add three cans of Pepsi to every six-pack.

Neither image is totally wrong, but both need hedging with so many additional facts that they are essentially useless. The real stakes are competing visions of the future of the software industry. The government thinks that Microsoft's Windows should continue its dominance as the operating system of choice for PCs. Only it should be frozen in time, containing only those features included as of, when — 1995? Maybe roll it back to 1989? Well, we'll work that out. Windows should then be made into a common carrier. Like a bus or a train, it should be forced to accept any software product that any developer

wants to hitch onto it, and it should not be allowed to add any feature that might compete with any of these.

The Microsoft chairman, Bill Gates, has a different vision. It is: Who knows what will happen? Apple had a vision of total control of machine and software, rather like Mr. Klein's metaphor of the CD maker.

It reaped monopoly profits for a time, then cratered. Mr. Gates had a vision of an open architecture that tapped the creativity of multiple software makers and of an operating system that would keep expanding as the capability of PCs grew.

Mr. Gates' vision is truer, so far, but maybe the future will be different. People are always complaining about Windows, so surely someone can build a better system. Most of Microsoft's vaunted "monopoly" is that it keeps Windows too cheap for anyone to bother, but Linux, OS/2, Unix and others are waiting. Maybe we will have multiple operating systems, multiple applications and a middle layer of system integrators. Or we might have a few competitors marketing fully integrated suites — operating system, word processor, spreadsheet, browser, tax forms, graphics, all in one seamless package. Maybe it will be some combination of these visions or something else entirely, based on Java or the Internet.

The point is, no one knows — not Mr. Gates and not Mr. Klein. But Mr. Gates at least knows he does not know. The history of the computer industry makes

clear that he was constantly getting surprised. In the early 1980s, he did not anticipate the power that would accrue to the owner of the operating system for the IBM PC; he resisted taking the project on, even as IBM fought to give it to him. Later, IBM's failure to work with Microsoft to develop OS/2 as an alternative to DOS was a shock, and so was the lack of interest in writing for Windows by such dominant application makers as WordPerfect and Lotus.

In the mid-1990s, the Internet's wild growth brought Mr. Gates up short and could easily have broken Microsoft. Mr. Gates is worth decabillions in part because he had a few big visions, such as the basic idea of growth in PCs and the creative power of open standards, but equally important has been his embrace of the fluidity of the future and an awesome ability to react to surprises. This is the opposite of the bureaucratic mind, which cannot stand uncertainty and fluidity and so stifles it.

So go to it, Mr. Gates. However unwillingly, you have been drafted as the champion of those of us who do not want our technology or our lives micromanaged by a committee composed of antitrust division bureaucrats, Al Gore, 20 state attorneys general drooling for governorships, the values of the plaintiffs' bar and all those business people who would rather buy the government with campaign contributions than get out and compete.

The writer is an adjunct scholar at the Competitive Enterprise Institute. He contributed this comment to the Los Angeles Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Decency Plea

PARIS — [The Herald says in an Editorial:] Some of our letter-writers send letters where a good deal of the language used is not only unprintable but almost unspeakable. When the sub-editor puts "sars" in the place of all the unpleasant expressions, the result might serve fairly well as a map of the Milky Way, but is rather incoherent as a letter. The HERALD welcomes all contributors and is always willing to give space for public discussion of subjects of general interest, provided the language that does not offend against politeness or decency.

1923: Narcotics Evil

PARIS — An American mission left Paris last night [May 22] for Geneva, where an attempt will be made at an international conference to devise ways and means to combat the drug evil. "There are now more than 1,000,000 drug addicts in America," Congressmen Stephen Porter said. "The interest to reach some international agreement to limit the production of habit-forming narcotics and the raw materials from which they are made has swept over America like fire."

1948: Fierce Battle

JERUSALEM — Frenzied attacks to rescue the Jewish garrison on the Old City were thrown back from the Zion Gate early today [May 22] by the Transjordan Legion in close fighting with grenades and tommy-guns. By bright moonlight, waves of Jewish troops swept up to the Old City wall, some climbing over from the top of an armored bus. The Jewish action, the fiercest of the five-day battle for Jerusalem, was inspired by an SOS in which the Old City Jews appealed for help to avert their surrender.

Herald Tribune

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The Uninhibited Mo Mowlam Cuts a Popular Figure in Irish Peace Effort



Mo Mowlam signing autographs in Belfast while asking for "yes" vote.

By Warren Hoge
New York Times Service

BELFAST — Regardless of the outcome of the referendum on the peace settlement for this conflicted province, one sure winner is Mo Mowlam, Britain's secretary for Northern Ireland.

A new poll shows that the approval rating of the famously unceremonious and outspoken Ms. Mowlam exceeds even that of Tony Blair, who, a year after taking office, is still the most popular prime minister in British history.

Ms. Mowlam, 48, has achieved pop-star status occupying what has long been viewed as the most frustrating and thankless job in the British cabinet, and she has swatted away early critics, most of them male, who were put off by her brash, unshrinkingly populist approach.

In an apparently welcome departure from the formality of much of British public life, she is apt to begin a conversation in restaurants and bars by stealing a French fry off a diner's plate or taking an uninvited swallow from a pub

drinker's pint of beer. Aides reported one day that she had come to work in a Nike baseball cap, and they joked that it was evidence she was becoming more conservative.

"She was wearing it the right way 'round," they explained.

Not everyone was enchanted at first. Protestant leaders repeatedly called for her removal because of what they thought was her careless talk in a political arena in which precision of expression and choice of words are vital. Her wide, smiling face once stared from a mural in the predominantly Catholic Lower Ormeau neighborhood of Belfast above the painted legend "Wanted for Fraud and Deception."

Andy Wood, a press officer she had fired, retaliated this month by publishing a scathing account of her "compulsive" use of language he described as "still taboo to women on both sides of the Irish Sea." He also complained that she had asked her Royal Ulster Constabulary bodyguards to buy tights, lipstick and tampons for her.

Ms. Mowlam reacted with typically disarming good cheer. "It's my mission to civilize the Ulster male," she said.

The verdict now is that while the hardened politicians of Ulster may not all like her, they respect her.

Sir Patrick Mayhew, her patrician Conservative predecessor with a manner as aloof as hers is intrusive, has praised her, and the private secretary who worked for both of them, Ken Lindsay, has stepped from the usual anonymity of the British Civil Service to say: "She's pushy. She's done things other people wouldn't have done. We wouldn't have got where we are without her."

At Durham University, she studied social anthropology and led the liberated life of a 1960s student, smoking marijuana with no thought of not inhaling. When her boyfriend went to the United States to attend the University of Iowa, she went with him, eventually earning a master's degree and a doctorate there.

She became a political science instructor at the University of Wisconsin

in Milwaukee and later at Florida State University before returning to Britain in 1979 to teach at Newcastle University.

She had joined the Labour Party in 1969, and in 1983 she became a volunteer in the successful party-leadership campaign of Neil Kinnock, beginning an association that was to gain her a seat in Parliament in 1987.

Ms. Mowlam — her given name is Marjorie, but she has always been called Mo — was an early and vocal supporter of Mr. Blair when the Labour Party leader, John Smith, died of a heart attack in 1994, and she became the opposition spokesman for Northern Ireland and then the minister for the province with Mr. Blair's election last May.

During the election campaign, she became the brunt of a crude assault by Conservative tabloids, notably The Daily Mail, for having gained a large amount of weight. The papers suggested she had become slothful after giving up smoking and published cruel before-and-after pictures showing that the winsome blonde whom British men had pronounced "fanciable" had become bloated and jowly.

She eventually revealed that in January 1996 she was found to have a brain tumor, although it soon afterward was found to be benign. She had become "moon-shaped" and her hair had fallen out "in chunks," she said, because of radiation treatments. The mousy hairdo that the tabloids had coarsely lampooned was in fact a wig.

"I hate the bloody things and have to carry two around with me because I kept losing one," she said.

As with other apparent potential setbacks, she turned it to her advantage, shaming the tabloid editors and winning converts with her folksy response. Shortly afterward she brought an appreciative gasp from a group of London-based American correspondents when, during a briefing about a coming trip to Washington, she complained that the wig was hot and itchy and simply took it off, revealing her bald head.

She was given the medical all-clear 10 months ago, and her hair is growing back brown and curly now, wrapped in a bandanna that trails insouciantly over the shoulder of the pastel-colored catkins she favors.

Her personal life was, by her own description, "spectacularly untidy," but she surprised skeptics in 1994 by marrying her live-in lover, Jon Norton, a divorced pro-Labour banker five years younger than she. If she has religious convictions, she does not discuss them.

"Just say she's a very secular person," an assistant said.

In arguably the most dramatic act of the 26 months of talks that led to the peace settlement now up for a vote, she entered Northern Ireland's most fearsome penitentiary early this year to challenge an order that Protestant prisoners had delivered to the party representing them to quit the negotiations.

She was roundly criticized for the decision, one that typified her style — independent, defiant and trusting in the direct approach and her own personal appeal.

She was photographed sitting across from shaven-headed killers and bombers with lurid tattoos on their pumped-up arms. A prison official, Alan Shannon, said, "Those are some of the hardest men in any prison in the world, and she put them at their ease in no time."

After she left, they reversed a 2-1 vote of the week before and authorized their representatives to return to the talks.

Opposition Attacks Kohl On Nuclear-Waste Leaks

By John Schmid
International Herald Tribune

Viagra's Maker Investigates 6 Men's Deaths

WASHINGTON — Six men have died after taking the anti-impotence pill Viagra, but it is not clear whether any of the deaths were caused by the drug, the Food and Drug Administration said Friday.

The agency said it and the maker of the drug, Pfizer Inc., were investigating the causes of the deaths. But Pfizer pointed out that more than 1 million men, most of them middle-aged, had taken the drug.

A spokeswoman for the Food and Drug Administration, Laurie McHugh, said the agency called Pfizer on Thursday to ask how many men had died after taking Viagra.

"We are going to look into these reports as we do all adverse reports," she said. "We continue to believe that the drug is safe and effective for its indications and the patient population."

The drug's label states that it should not be taken by men who are also taking nitroglycerin or other nitrate drugs prescribed for heart disease, and Pfizer has made this clear in its advertising. Pfizer reiterated those warnings Thursday, saying it was appropriate to remind the public given the huge amounts of attention the drug has received.

The agency and Pfizer both said they did not yet know whether the deaths were a result of a drug interaction or were unrelated to the use of Viagra. The drug is the first pill to be cleared for use in treating impotence.

In clinical trials, which involved only a few thousand men, eight deaths were reported. None was attributed to use of Viagra.

Pfizer maintains that this is an effective and safe medicine when used appropriately in men who have diagnosed erectile dysfunction. A Pfizer spokeswoman, Mariann Capriano, said, "Men with erectile dysfunction tend to be older and frequently suffer from serious underlying medical conditions ranging from diabetes to hypertension to cardiovascular disease."

"It is not something that can be prescribed over the Internet," she said.

FRANKFURT — Opposition politicians opened a new attack on Chancellor Helmut Kohl's government on Friday after the Environment Ministry conceded that some of Germany's nuclear-waste shipments in the last decade had leaked more radiation than official standards permitted.

In a nation with a powerful environmental movement, the disclosure sparked a public outcry and led to the suspension of further nuclear-waste cargoes, which are transported in custom-built rail convoys.

Thrusting the issue onto center stage, politicians from several parties called for a debate Wednesday in Parliament.

Michael Mueller, spokesman on environmental issues for the opposition Social Democrats, said the "scandalous affair" had "further diminished confidence in the government."

He accused Environment Minister Angela Merkel of "negligence."

Allies of Mr. Kohl, who is trailing in polls of voter sentiment ahead of an election scheduled for Sept. 27, expressed bitterness that the opposition had seized an issue that threatened to stir a reflex anti-government reaction among Germany's environmentalists.

The issue also gives the Green Party, which hopes to join the Social Democrats in a new government, a chance to redeem itself after it damaged its own electoral chances with widely ridiculed plans to triple the price of gasoline.

Transportation of spent nuclear fuel rods has been a key issue for years in Germany, where riot policemen are routinely deployed to arrest demonstrators blocking rail lines. A police union said this week that its members did not want to escort future convoys.

In the debate that was called for Wednesday, lawmakers are expected to ask Mrs. Merkel about how much she knew before she banned further consignments of spent nuclear fuel rods to reprocessing plants in France and Britain. Klaus Lenz, a spokesman for the Social Democrats said Mrs. Merkel should resign if it emerges that she withheld knowledge about higher-than-normal levels of radioactivity.

Mrs. Merkel said she first learned of the radioactive emissions when French authorities notified her last month. She said her ministry's investigation found that German plant operators had known about the emissions since the mid-1980s.

Mrs. Merkel's assurances that the shipments have not posed a public health threat have not damped the criticism.

The ministry found 11 cases of leaks from the 55 German rail convoys sent for reprocessing to France in 1997 and two so far this year. Radiation emanating from some cars was more than 3,000 times the authorized level, it said.



RAILHEAD — A striking Russian coal miner resting on the railroad tracks Friday in Shakhty, 70 kilometers from the southern city of Rostov. The miners are blocking the Trans-Siberian in a wage dispute.

Surgeon Says Yeltsin Has 'Long' Life Expectancy

The Associated Press

MOSCOW — President Boris Yeltsin is in excellent physical condition, is mentally "quite vigorous" and has no health problems that would prevent him from seeking re-election if he wanted to, his American heart consultant said Friday.

Dr. Michael DeBaake, who consulted on Mr. Yeltsin's quintuple bypass operation in November 1996, said he expected Mr. Yeltsin, 67, to live for a long time.

"It was a great pleasure to see the president and to see how well and vigorously he looked," Dr. DeBaake said after spending two hours with Mr. Yeltsin.

"It was very gratifying to find that his heart is functioning so well and that his general health is excellent."

Dr. DeBaake said he had not performed a physical examination on Mr. Yeltsin but was basing his comments on his own observations, recent conversations with Mr. Yeltsin's doctors and the results of a recent physical exam that he had seen.

"If a person is not in good health, as physicians we are trained to see that," Dr. DeBaake said.

He said he would expect Mr. Yeltsin to have "a long survival expectancy." Asked about reports that Mr. Yeltsin's speech sometimes seemed to ramble and that he appeared disoriented

in public, Dr. DeBaake insisted, "If he's had any episodes of that kind, he's never demonstrated them" in the presence of the American cardiologist.

Dr. DeBaake said Mr. Yeltsin had no medical problems that would prevent him from seeking re-election in 2000. "That's a decision he can make without consideration of health," the doctor said.

Mr. Yeltsin has said he does not plan to run for a third term but has left himself some room for changing his mind. The constitution limits a president to two terms, but some of his supporters say his first term began in the days of the old Soviet Union and so should not count against that limit.

IRELAND: Voters Have Their Say in a Referendum That Would Transform the Island

Continued from Page 1

largely Protestant enclave in Holywood, most voters interviewed at their polling stations were united on one point: The agreement is not a panacea.

In fact, dozens of people on both sides answered with an emphatic "no" when asked if the violence that has tormented them for years would ever end.

Here in Carrickfergus, Timothy Bennett, 18, said he was torn as late as last night over how he would vote in his first election. He, like many Protestants, said he was frightened about the treaty's provision for the accelerated release of political prisoners, including guerrillas

from the Irish Republican Army. "I thought, 'There's two ways: you can go forward or back.' I decided we have to move forward and give it a chance."

But another first-time voter here, David Patrick, 18, said he was too bothered by the prospect of IRA prisoners on the street to ever think of voting for the accord.

Asked when he thought peace might come, Mr. Patrick replied, "I could see peace in, maybe, 50 years or so."

Ruth Burton, 50, a social worker here who also opposed the agreement, was even less optimistic.

"I'm reading a book now about the poverty in Ireland two and three hundred

years ago and the burning of Catholic homes and the burning of Protestant homes," she said. "It won't then, and it will never change. Never."

Veronica Tate, 27, who works in computers, said proudly that she had voted "yes." But then she leaned forward, lowered her voice, and said, "To be honest, I don't think it's going to change anything."

Her 47-year-old mother, also named Veronica Tate, said she had "had nightmares" over the voting. The Tates are Catholic, but the younger woman is married to a Protestant and lives in what she described as "a pure Protestant neighborhood."

The elder Mrs. Tate said she feared that if the agreement were approved, violence could start anew and there would be so many roadblocks that she would not easily be able to see her daughter and the daughter's three children.

Politicking continued until the polls closed at 10 Friday night. Opponents tried to rouse undecideds to their camp by traveling through neighborhoods with loudspeakers affixed to the cars, shouting "No!" In the Catholic neighborhoods, workers for Sinn Fein, the political arm of the IRA, gave voters a leaflet that included a photograph of the party's president, Gerry Adams, with President Bill Clinton.

Donald Wise, Reporter, Dies at 80

The Associated Press

LONDON — Donald Wise, a World War II military hero who became one of the most respected foreign correspondents of his generation, died Thursday in his sleep in England after a long battle against cancer. He was 80.

After a distinguished career in the British Army, Mr. Wise switched to journalism, winning the admiration of fellow correspondents in trouble spots around the world for his coolness under fire and brilliant dispatches.

Derek Davies, former editor of the Far Eastern Economic Review, said: "He was the David Niven of journalism. He had a similar wit, was similarly successful with women, and bore an uncanny resemblance to the actor."

Born near London, Mr. Wise studied French at Oxford and joined the Suffolk Regiment when World War II broke out. As a captain, he led his troops bravely in the defense of Singapore and was wounded and captured. He was then forced to work as a slave laborer by the Japanese in building the Bridge on the River Kwai.

After liberation he re-enlisted in the Parachute Regiment as an officer and saw action in Palestine, where he commanded British troops fighting the Jewish underground, and Malaya, where the British defeated an ethnic Chinese insurgency.

Before World War II, Mr. Wise had worked briefly in London for The Daily Mirror. In 1950, he decided to return to journalism and soon made his name working for the newspaper again after its

famed editor, Hugh Cadliopp, who died Sunday, hired him as a roving war correspondent.

In the Congo, Mr. Wise quickly became one of the best British reporters. In Uganda he was briefly captured by Idi Amin. His next assignments were wars in the Middle East and Southeast Asia, including Vietnam.

Dorothy Donegan, 76, Flamboyant Jazz Pianist

NEW YORK (NYT) — Dorothy Donegan, 76, a jazz pianist who brashly mixed swing, boogie-woogie, vaudeville, pop, ragtime and Bach — sometimes within a span of 10 minutes — and who was known for an outrageous sense of humor, died Tuesday of colon cancer at her home in Los Angeles.

Miss Donegan was better known as a performer than as a recording artist, and her flamboyance helped her find work in a field that was largely hostile to women.

John Berry Sr., 75, Leading Philanthropist

DAYTON, Ohio (AP) — John Berry Sr., 75, a philanthropist and one of the wealthiest Americans, who built his family's Yellow Pages company into a billion-dollar business, died Wednesday from complications of congestive heart failure, his son said Thursday.

Forbes magazine ranked Mr. Berry 240th among the 400 richest Americans last year, with a fortune valued at \$750 million.

Francisco Lucas Pires, 53, Leading Portuguese Politician

LISBON (AP) — Francisco Lucas Pires, 53, a leading Portuguese rightist politician for more than 20 years and vice president of the European Parliament since 1986, died suddenly Friday, apparently of a heart attack, doctors said.

Mr. Lucas Pires died just hours after attending the inauguration of the European Union pavilion at the Lisbon world's fair with the president of the European Commission, Jacques Santer.

George D. Grundy Jr., 99, The Last of the Early Fliers

NEW YORK (NYT) — George D. Grundy Jr., 99, the last of the world's first fliers, died Tuesday in Leesburg, Florida. He had been the sole surviving member of the Early Birds, an organization of aviation pioneers.

Mr. Grundy qualified as an aviation pioneer along with such luminaries as Orville Wright, Glenn Curtiss, Louis Blériot, Clyde Cessna, General Hap Arnold, Sir Thomas Sopwith, Anthony Fokker, Igor Sikorsky, Allan Lockheed and Glenn Martin because he made his first solo flight Sept. 17, 1916, three months before the cutoff for membership in the Early Birds.

To Mr. Grundy, for whom flying had been a daring, seat-of-the-pants activity, modern aviation was simply not appealing. Flying in a modern airliner, he said, was like being locked in a closet.

Bomb in Market Kills 14 in Algeria

Reuters

ALGIERS — A bomb ripped through a crowded open-air market in a suburb of the Algerian capital Friday, killing 14 people and wounding 33, hospital sources said.

A doctor at Zemerli Hospital said that a "homemade bomb" hidden in a plastic bag had exploded in the weekly market at El Harach.

The official APS news agency reported that 10 people had been killed and 33 wounded when the bomb went off. Fourteen of the wounded were in critical condition, it said.

Witnesses said several ambulances had transported the victims to neighboring Zemerli Hospital as security forces cordoned off the site of the explosion. The market is in an open space with no buildings nearby, they said.

"This is the second bomb in this district in the last 48 hours," one resident said.

On Wednesday, a bomb exploded in the train station at El Harach, wounding seven people, a resident said. On May 13, a booby-trapped parcel exploded in a movie theater, wounding six people, two critically.

A week earlier, another bomb exploded near the neighborhood of Bab el Oued in Algiers, wounding at least 15 people. Bombs have been a favorite weapon of the Muslim rebels fighting to topple the government in violence that has killed more than 65,000 people.

VIOLENCE: A Disturbing Escalation

Continued from Page 1

learned behavior," Mr. Stephens said. "This is some idea that kids have absorbed about how it's done."

Sissela Bok, whose new book, "Mayhem" examines how violence affects culture, said that young people's lives are saturated with graphic violence in a way that is different, and more dangerous, than in previous generations.

"We have movie role models showing violence as fun, and video games where you kill and get rewarded for killing," she said. "For some young people, it's hard to distinguish between the fantasy and the reality. It is a very combustible mix: enraged young people with access to semiautomatic weapons, exposed to violence as entertainment, violence shown as exciting and thrilling."

Parents, Ms. Bok and others said, need to be aware of how much violence their children are absorbing.

"A lot of the violent movies blur the lines between the good guys and the bad guys and make a hero of anyone who fights, or mix violence with humor," said Dr. Alvin Poussaint of Judge Baker Children's Center at Harvard Medical Center. "Children now say in a proud voice that the violence doesn't upset them, as if that's part of growing up."

"What's the message there, that their parents want them to be indifferent to violence, numb to the pain it causes?" he asked.

As more adolescents hear about the school shootings, those who are disturbed and seeking notoriety may copy what they have heard.

"We know how adolescents are in-

fluenced by hearing about suicide," said Richard Gallagher, a psychologist who directs the New York University Child Study Center's parenting clinic. "There is a kind of contagion with these events: When they get a lot of attention, it's as if the barrier that kept it from happening gets broken. And with all the attention these shootings get, that barrier has been broken."

The drumbeat of school shootings seems constant: On Tuesday, a high school senior shot and killed a student in a school parking lot in Fayetteville, Tennessee, three days before they were to graduate. On April 24, a 14-year-old boy opened fire at an eighth-grade graduation dance in Edinboro, Pennsylvania, killing a teacher and wounding two students and another teacher. In addition to the Oregon shootings, a 15-year-old girl was shot in the leg Thursday in a suburban Houston high school classroom and in Washington state, a 15-year-old boy got off his school bus carrying a gun, went home and shot himself in the head.

Experts suggested that the number of shootings could be reduced by making access to guns more difficult, and by teaching young people to react quickly to any clue that an acquaintance is considering violence.

Tracking the school deaths, Mr. Stephens's center found that 40 percent of the young killers had a past criminal record, 35 percent were involved in gangs, 24 percent were under the influence of alcohol and drugs — and fully 70 percent had previously brought a weapon to school.

"Bringing a weapon to school is the strongest predictor," Mr. Stephens said.

CANNES FILM FESTIVAL



Alexei Guerman, center, with M. Dementiev, left, and Yuri Tsourilo, actors in his film "Khroustaliou: My Car!"

2 Disturbing Portraits of the Past

By Joan Dupont
International Herald Tribune

CANNES — In this festival of few surprises, there are impeccable well-made films, such as Benoit Jacquot's "L'Ecole de la Chair" (School of the Flesh) based on a Yukio Mishima novel and starring Isabelle Huppert and Olivier Martinez. The movie is so suave and Frenchified that the cruellest barely bites.

"Flowers of Shanghai," which Hou Hsiao-Hsien adapted from a 1894 novel by Hai Shang Hua, is a very different cup of tea. Set in the British quarter in Shanghai's

brothel district, three flower houses have become strategic places where the elite meet to smoke opium, eat and drink. Love-making is never shown, but love, the emotion, suffled in this stratified society, is very much a subject of suffering — love and money in a feudal world.

The story, filmed in Hou's famed slow motion where the camera barely moves, focuses on three women and one man, Wang Liansheng, a Cantonese civil servant, who stands out among the gentleman callers.

Wang (Tony Leung Chiu-Wai of Hong Kong), who has been the lover of Crimmon (Michiko Hada of Japan), has

taken to seeing another woman, Jade (Michele Monique Reis of Hong Kong). He cringes at making Crimmon unhappy, but he has heard she is having an affair with an actor.

The Taiwan director has set his tale of decadent imperialism in small rooms, each lit like a Rembrandt painting. Every frame has a mysterious dimension, created by the distancing of object and details — jewels, mirrors, brocade robes, a misty bed.

The plot unfolds in a series of tableaux that hypnotically fade in and fade out to bring the viewer into a world where virgin orphans are trained for a lifetime of elegant prostitution, and where codes of honor and pride prevail.

Leung Chiu-Wai, with his quiet presence, carries the suffering of a man who can find love only here, and who doesn't know how to handle emotion in a codified society. The actresses, each a jewel of a different kind, shine like exquisite lights, almost extinct but with bold moments. Hou has made a sensuous and insidious journey back to China.

hospital. He wreaks havoc at home and terror in the hospital, sousing his days and nights in alcohol, served in tea glasses.

In 1953, his world collapses when the KGB organizes the infamous "doctors' plot." Sent to the gulag, tortured and gang-raped, he is brought back to save Stalin's life, but it's too late. The gen-

eral flees Moscow and ends up a Mafia boss. With surges of wild humor and nonstop motion, the director has made of film which is, in part, from autobiographical material.

Nobody is saying that so much Slavic madness is easy to sit through, and many walked out of the screening here. But Guerman also shows haunting shots of silent Moscow streets, banked in snow, ominously moving cars, and closes in on a family saga that, with not one likable character, holds a numbing fascination.



Michele Monique Reis with Hou Hsiao-Hsien.

THE Russian director Alexei Guerman also portrays the past, the Stalinist 1950s, in the black and white film "Khroustaliou, My Car!" This is a disquieting, ambitious and delirious two-part movie that reveals a society jerked from feudal repression here to the horrors of Communist dictatorship and latter-day mafia control.

Yuri Tsourilo plays a strapping, mustachioed Red Army general who is a brain specialist and heads a Moscow

eral flees Moscow and ends up a Mafia boss. With surges of wild humor and nonstop motion, the director has made of film which is, in part, from autobiographical material.

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Tribute to a Chinese Producer
For Hsu Feng, Films of Her Homeland Are a PassionBy Joan Dupont
International Herald Tribune

CANNES — Hsu Feng, the lady from Shanghai, has arrived fresh from the Monte Carlo gambling tables. "I love gambling," she said. "It's a passion, like producing movies."

Madame, as everyone in the business calls her, is the only woman to be honored at the festival's tribute to nine international producers. "It feels good," she said. "Especially that they're doing it while I'm still alive. In China, they pay tribute to you when you're dead."

Hsu, who started her career at 15 as a martial arts movie star, wears crimson lipstick and a black and crimson suit. She has a warmly wicked laugh, and, known to be lightning fast in combat, she pulls no punches.

She founded her production company, Tomson Films Ltd. in Taiwan in 1983, opened offices in Hong Kong the following year and now has quarters in Shanghai.

"I was born in Taipei and raised in the Chinese tradition — that is, very strictly," she said over lunch.

Stories about Chinese history are the stories that fascinate her; her most famous films were directed by Chen Kaige. "My biggest thrill was 'Farewell My Concubine,'" she said. "Chen's 'Tempress Moon' was harder because Gong Li came on late to replace an actress who didn't work out." The film still hasn't been released in China because of censorship problems. "Making movies on the mainland is a challenge," Hsu continued. "That's why I moved to Shanghai."

Her father was from Fujian, her mother from Manchuria. "Father died when I was six; mother remarried and had three children. She thinks that being the eldest child gave her a chance to be independent. 'We were poor and I had to support the family. I saw an ad for a casting in the newspaper and sent in my photo.'"

King Hu, the legendary martial arts director, gave the imperious young beauty a small part as a princess in "Dragon Gate Inn" (1971). After playing in King's "A Touch of Zen" (1971), Hsu was often cast as a devastating warrior woman — Mongolian princess, killer swordsman and kung fu heroine up against the Japanese, making up to eight movies a year.

In 1975, she accompanied King to Cannes with "A Touch of Zen." She said, "The festival was an eye-opener — we saw that a film could be an art form, not just a business."

She decided that some day she would return to Cannes and win the Palme d'Or. "But I never thought I would

become a producer. That happened later, after I quit acting."

The year after her trip to Cannes, she married Tong Cun-lin, a wealthy businessman whose family was from Shanghai. He asked her to give up movies and work with him. But, she said, she discovered she loved cinema. "Producing was the only thing I could do — maybe I went for it because I like being the boss."

Among Hsu's productions being

in Chen's "Farewell My Concubine," which won the Palme d'Or in 1993, and an elegant gun-moll in "Tempress Moon."

The best stories are still Chinese, Hsu insists, saying she was not taken with the contemporary style of Hong Kong's popular Wong Kar-wei. As for Tsai Ming-Liang of Taiwan, she said, "A talented boy, he worked as a script writer for me a long time ago, but I haven't seen his movies."

Hsu's forthcoming productions are about two strong Chinese women. "I'm planning to film Nian Zhen's best-seller, 'Life and Death in Shanghai,' about how she survived the Cultural Revolution." She met the author, who is 85 and lives in Washington. Hsu said, "She will never go back to Shanghai, though, and they probably wouldn't let her in." She said she hoped Chen would direct the film.

Her other project is to film the life of Jiang Qing, Mao's wife. "The early years when she was an actress in Shanghai — her story touches me," Hsu said. "People think of her as Mother Mao, a political figure, and nobody knows much about her youth. I don't see her as evil, and I want to make the film as realistic as possible. One day, she wiped off her lipstick, like this."

Hsu made the gesture — and wrote Mao's name in capitals on the mirror. That's where she gets into politics and my film ends."

Hsu's company, Tomson, which is an anglicized version of her husband's name, funds its own productions. "We get all sorts of offers from America, Japan, Korea, France, but I don't like risking other people's money," Hsu said. "With co-production, you have complications, too many cooks, and it's difficult enough handling Chinese censors — who are sitting on both my projects right now."

"Censorship is even worse than before," she added. "They think if they can control the mind, they can control the country. I think they overestimate the power of a film. In China right now, nothing gets in, no news, boring TV, and videos are pirated so the quality is bad. I have to go to Hong Kong once a month to shop."

She is waiting it out, hoping to get the green light. "If not, I'll move back to Taiwan and make my films there."

In Shanghai, Hsu lives in a villa on a golf course where, with her tycoon husband, she is setting up the Tomson Shanghai International Club, a vast luxury development with ballrooms, conference halls, hotels, health clubs and an Irish pub. "My husband is involved, but this is my project," she said. "We'll have the works ready for the year 2001."



At top, Gong Li, left, and Leslie Cheung in a scene from "Tempress Moon"; the producer Hsu Feng.



At top, Gong Li, left, and Leslie Cheung in a scene from "Tempress Moon"; the producer Hsu Feng.

shown at Cannes is Yim Ho's "Red Dust" (1991), a film that spans the period of the Chinese-Japanese war, with a small part for the Hong Kong actress Maggie Cheung. "When I first saw Maggie act, I thought she had only one expression," Hsu said, mimicking a belligerent pout. "She had been in those Jackie Chan movies, but she's become an extraordinary actress."

Hsu has also changed her mind about Gong Li, Chen's leading lady. "When she started out, I thought she was a spoiled girl; now she got married and she's grown."

The mainland's most famous actress, Gong played a woman between two men

BOOKS

TO END A WAR

By Richard Holbrooke.

Illustrated.

408 pages. \$27.95.

Random House.

By Richard Bernstein

HERE is one from the annals of productive diplomatic subterfuge.

Early in August 1995, the president of Croatia, Franjo Tudjman, launched an offensive to take back land that had been seized by Bosnian Serbs in the border region of Krajina. The offensive, which reproduced some of the "ethnic cleansing" that the Serbs had perpetrated against Bosnia's Muslims, was officially opposed by the United States, which formally requested that Tudjman "suspend" the fighting.

But in Richard Holbrooke's first-person account of the American negotiations that ended the conflict in Bosnia-Herzegovina, it becomes clear that Holbrooke himself, in direct contradiction to Washington's official statements, was telling Tudjman to press militarily ahead, even urging him to seize specific Serbian-held towns.

It would be hard to imagine a better example of the "fudge" factor, which President Bill Clinton recently proclaimed to be necessary in the real and ambiguous world of international politics. It is an example of the many remarkable things one will learn in Holbrooke's forceful, lucid book, "To End a War."

As anyone who has read newspapers in the past few years will know, Holbrooke was the special mediator ap-

pointed by President Clinton in 1995 to bring the Bosnian war to an end, a job he completed during a 20-day negotiating marathon at the Wright-Patterson Air Force Base in Dayton, Ohio.

His book is both an insider's account of his effort to stop the Balkan war and a first-rate piece of diplomatic history.

Holbrooke provides a lucid background to the Bosnian tragedy; he portrays the inner circle of the Clinton administration at work and the European Community's tropism toward a sanctimonious sort of paralysis. He includes vivid and often very undiplomatic sketches of the Balkan leaders operating within the vortex of the fiercest ethnic war in Europe in the second half of the 20th century.

"To End a War" is, in sum, an important book containing many lessons about the possibilities and limitations of diplomacy, the productive use of force, the value of cajolery and threat, the need for the United States to play a moral as well as a practical role in international affairs, and, yes, the important role of "fudge" in international politics.

It is always a tricky business to write a book about an event in which one is the hero and protagonist, perhaps even more tricky for Holbrooke than for others, since he has been accused of ambition and self-promotion. But Holbrooke does not strike a tone of false modesty or of self-importance in his book. He admits mistakes. He gives ample credit to others for the Dayton result.

He has written a straightforward account of a historic achievement that was largely his own, telling frankly and precisely and with a minimum of throat-clearing exactly how that achievement came about.

Mediating a conflict that gave the horrible euphemism

"ethnic cleansing" to the world was not a task for the faint of heart or the indecisive, and Holbrooke, whose vigorous and assertive personality is not hidden in this book, makes no secret of where he stood on various issues.

At the outset, he expresses something close to contempt for those who believed that no outside intervention could work in Bosnia because the region was so steeped in ancient hatreds. (He names Lawrence Eagleburger, the former secretary of state, in particular.)

"Yugoslavia's tragedy was not foreordained," Holbrooke writes. "It was the product of bad, even criminal, political leaders who encouraged ethnic confrontation for personal, political and financial gain."

Holbrooke is also refreshingly critical of Europe and the United Nations for their ineffectual efforts in the face of the Serbian atrocities committed between 1992 and 1995.

In his account of the successful behind-the-scenes effort to get a sustained NATO bombing campaign under way against the Bosnian Serbs in August and September 1995, he makes as powerful a case for the use of tactical force as is ever likely to appear in print.

He also makes clear that the bombing campaign — itself a reaction to a Serbian mortar attack in the Sarajevo marketplace that killed more than 35 people — was, contrary to widespread belief, not a part of a master plan aimed at forcing the Serbs to negotiate.

"It took an outrageous Bosnian Serb action to trigger Operation Deliberate Force — but once launched, it made a huge difference," Holbrooke writes.

If there is a fault in this account, it lies in Holbrooke's overemphasis on process, on

a minute presentation of diplomatic movements and a somewhat paradoxical under-explanation of some of the substance.

One element that Holbrooke gets into only glancingly is how the president of Serbia, Slobodan Milosevic, was able to speak for the Serbs inside Bosnia, which is technically a separate country and one in which Milosevic would, in any judicial sense, have no role to play at all. Holbrooke leaves this fact hanging there virtually without comment.

He does, however, spend pages describing Milosevic himself. This is a man who, by all accounts, including Holbrooke's, initiated violent Serb nationalism.

Nonetheless, he emerges in this account as shrewd, adaptable, resourceful and possessed of a veritable Clinton-like charm as he forced his ethnic counterparts across the border into accepting the compromises necessary for an agreement.

Milosevic's sworn enemy, the Bosnian Muslim leader, Alija Izetbegovic, no doubt the most injured of the Balkan presidents, comes across as a strangely unsympathetic figure.

"His eyes had a cold and distant gaze," Holbrooke writes of him. "After so much suffering, they seemed dead to anyone else's pain."

At one point just before Dayton, when the difficult Izetbegovic was inclined to continue fighting rather than talk, Holbrooke told him bluntly: "If you continue the war, you will be shooting craps with your nation's destiny."

Holbrooke's language was unconventionally blunt, but it reflects the intensity of his desire to broker a peace in Bosnia and to end the slaughter, the same intensity that invests this striking history of his efforts.

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ART

Market's Center of Gravity Tilts to New York

Dazzling Exhibit of Bronzes Shows How City Is Asserting Its Power

Souren Melikian
International Herald Tribune

NEW YORK — Overshadowed by the instant glamour of the auction world of which the latest instance is the \$7.9 million fetched on Thursday at Christie's by Childe Hassam's "Flags, Afternoon on the Avenue," a radical transformation of the New York art dealing scene is under way. It might soon result in the United States becoming the world art-market superpower.

In a nutshell, just as auction houses began to move much of their business from London to New York in the early 1990s, so has the world art trade started to shift its center of gravity from Europe to the Eastern Seaboard.

Looking at the works displayed last week at the Fine Art Fair and in the individual selling shows around town, some would argue that we are already there. Categories traditionally represented on a much grander scale in Europe than in America shone with unwonted splendor.

The most striking case was that of Renaissance and Baroque bronzes, long perceived as the quintessential preserve of ultra-sophisticated European collecting. As they walked into the display of "European Sculpture" put together by Daniel Katz of London on the premises of Simon Dickinson Inc., 14 East 73d Street, old timers had to cast their minds back to the days when Cyril Humphris, now retired, staged some grand selling show to remember anything comparable.

Several sculptures stood out as museum pieces. One, a limestone bust that the German scholar Johannes Auer-sperg describes in the catalogue as a likeness of Emperor Charles V aged

about 20, is not just a historical icon, if Auer-sperg has got it right. It is also a masterpiece of Flemish art in the early 16th century.

The weathering it has suffered has not weakened the striking expression of stubborn determination, rendered more ferocious by the foppishness of the fashionable costly headdress with huge ostrich feathers. Surface wear and minor restorations explain why Katz was allowed to take it out of France without a fuss. More is likely to be heard about the discovery in the next few months.

Another object has now literally become a museum piece. This is a gilt bronze mirror frame chiseled with a jeweler's precision by an artist of the Fontainebleau school. Of the two other known casts, one is dated 1577.

A terra-cotta model dug up on the site of Bernard Palissy's workshop in the Tuileries suggests that such mirrors were made for the French court. Little attention was paid to the rarity when it turned up at Christie's London in July 1996. At \$44,800, the Chicago Art Institute did not miss the second chance to get it.

That pieces of such a high order should have first been taken by Katz to what he called his "New York Pre-

view" rather than to his "London Exhibition," where the show reopens on June 8 until July 24, says all about the dealers' new perception of New York as the world's art clearing house.

New York owes its new role in part to the dynamic buying of a number of U.S. museums and, to a greater extent, to the rapid growth of highly sophisticated private collecting in America. Katz also had a bronze figure of Hercules from early 16th century Mantua, known only from this single cast.

At \$250,000, it would have been dear by European standards.

The price did not bother a young American collector who liked it and bought it. It is hard to imagine a European counterpart acting as swiftly.

This remark applies even more forcefully to a bronze equestrian figure of a king in armor that instantly calls to mind the monumental statue of Henry IV of France commissioned in 1604 to Giambattista Bologna, eventually executed by Pietro Tacca, and erected in 1614 on the Pont Neuf.

Auer-sperg believes that Katz's bronze is based on preliminary studies that must have preceded Tacca's final piece. Invoking the authority of Anthony Radcliffe, formerly of the Vic-

toria and Albert Museum, he writes that it is the work of Guillaume Dupre, first sculptor to King Henry IV of France. He concludes, rather boldly, that this very figure stood in the workshop of Dupre's father-in-law, the famed sculptor Barthelémy Prieur, because the 1611 inventory of his estate mentions "an equestrian portrait of the late king, 2 ft. high." An American collector who is not a beginner footed the \$2.5 million bill.

It is not just that the best European dealers now take their finest wares to New York. A new elite of American dealers is on the ascendancy. When Anthony Blumka inaugurated his renovated gallery at 209 East 72d Street in January, the most hardened old market hands marveled at the fantastic ivories, bronzes and sundry Kunstkammer rarities assembled by the American dealer. His \$600,000 ivory group of Boreas abducting Orythia carved by Jacob Auer is now in the Met.

PETER Tillou, who has a roving eye and universal interests ranging from Antiquity to Neo-Classicism, offers the American version of the old European connoisseur dealer — more direct, more willing to share his knowledge. From his new premises, which opened in October at 22 East 80th Street in the Fine Arts Building, he skillfully brings around to the European approach some of the new buyers who venture into this redoubt for sophisticated collectors in the making.

Tillou's extraordinary group of 2,000 bronze medals from the 15th to the 19th centuries that he put together over three decades and offers as a single unit symbolizes the new American bid for the ultimate in rarefied collecting.

Most telling perhaps of the profound



A limestone bust in the likeness of Emperor Charles V at about 20.

changes that are affecting American collecting is the recent interest in small, very sophisticated works of art unglamorized by big prices. David and Constance Yates, two private dealers who sell avant-garde art from Neo-Classicism to the end of the 19th century, have pioneered the trend for two decades.

This year at the Fine Art Fair, their turnover was more than double that of May 1997. The \$45,000 original plaster model for "A Woman Seated on a Rock" by Auguste Rodin went to a

highly informed collector of late 19th and early 20th century sculpture.

With hundreds of new buyers appearing every year, eager to explore whatever new venues may be available, the rising interest in acquiring art in its most recherché aspects is unlikely to subside.

America now buys art across the board on a scale hitherto unmatched. Its impact as the new powerhouse of world art is only beginning to make itself felt.

In a Photographer's Work, Her Death Foretold?

By Alan Riding
New York Times Service



A detail of "It Must Be Time for Lunch Now" (1979).

PARIS — Plainly, Francesca Woodman's photography should be judged for what it is, not for what it promised. Yet, once acquired, the knowledge that she committed suicide at the age of 22 is bound to influence how her work is seen.

It deepens admiration at the talent of one so young. But more perversely, it provokes an almost unconscious search for evidence of impending self-destruction in her powerful and often disturbing self-portraits.

Woodman felt drawn to Surrealism, and she followed the movement's tradition of not explaining work. Since her death in New York in January 1981, the job of interpreting her highly personal photographs has fallen to admirers who not infrequently have their own agendas.

Thus, she has been cast as a tragic figure à la Sylvia Plath. She is also portrayed as a

bold feminist whose exploration of her own nakedness represented women's rediscovery of their bodies.

It is perhaps fortunate, then, that her name is only slowly becoming known in the art world; many people visiting the retrospective of her work at the Cartier Foundation for Contemporary Art here through May 31 are seeing it for the first time without prior knowledge of Woodman's life and death.

Their strong reactions suggest that the photographs — 100 black and whites and a handful of blue prints — stand well on their own, and that her work needs no morbid, sentimental or political filter to appear interesting.

Woodman was born April 3, 1958, in Denver into a family of artists. She spent her childhood between Boulder, Colorado, and Italy, where her parents have a second home outside Florence.

As a teenager, she attended Abbott Academy in Andover, Massachusetts, where she met Wendy MacNeill Schneider, a teacher who proved enormously influen-

tial in her development as an artist, notably by emphasizing ideas over technique.

By her early teens, Woodman had already adopted her body as her principal subject. A certain fascination with feminism is apparent in a mid-1970s close-up of her naked body with clothespins attached to her breasts and stomach.

Later, at the Rhode Island School of Design, Woodman was free to experiment. Her many long stays in Italy seemed to draw her to abandoned houses and crumbling walls, both for their texture and their symbolism.

In "Space," "House" and other series, she used them as settings for what were in effect performance self-portraits, at other times partly hidden behind fallen wallpaper, frequently making use of mirrors.

The Francesca Woodman who appears in these photographs, however, is stubbornly elusive. The use of women's bodies to make

feminist statements was fashionable in the 1970s, but she seemed more concerned with her own identity than that of women in general. Rarely do her images reach out to shock; they are neither erotic nor voyeuristic. Rather, they are profoundly emotional in a trapped kind of way, almost inviting the viewer to help find her.

In 1977, Woodman spent a year at her school's Rome outpost. Her work there included "Angel Series" and "Eel Series," both of which reflected her growing interest in Surrealism.

After graduating from Rhode Island, she moved to New York, where she worked as a photographer's assistant. By 1979, she had built up a body of work, and the following year she spent the summer as an artist in residence at the MacDowell Colony in Peterborough, New Hampshire.

It was there that she began moving away from nude photography. Had she exhausted her primary subject? Was she ready for a different exploration? Did the uncertainty of

her life prove too much for her?

A friend, Betsy Berne, remembers Woodman falling into a depression over her work and a failed romance in late 1980. She killed herself that winter.

She left 500 black-and-white prints and several thousand negatives. Over the last 10 years, interest in her work

has grown, notably in Europe, where at least four retrospectives are being held this year.

Do her photographs chronicle a death foretold? Not in the sense that she plays with any imagery of death, but perhaps so in the fragility of her self-image, in the innocence that disguises the sexuality of her poses, in the way she pushes herself to the limit.

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AUCTIONS IN FRANCE

SUMMER SALE OR SWAN SONG?

A new legal framework could increase competition, to the delight of buyers.

Auctioneers at the Drouot salesrooms in Paris are preparing for their June sales against a background of uncertainty about their future. Before its summer recess, the French Parliament was expected to abolish the four-centuries-old monopoly that restricts the organization of auction sales to French nationals. Now the law will probably not go before the National Assembly and then the Senate before this autumn.

Equally affected by this second major delay in reforming the market (the first one having been caused by President Jacques Chirac's snap general election in 1996) are the two major for-

Christie's, meanwhile, is preparing to move later this year into new offices, also near the Elysée Palace. The company has been busy for some time scheduling sales for 1999.

Christie's was recently purchased by French business tycoon François Pinault, which means that the 231-year-old British auction house is now officially French.

Compensation questions France's 400 or so *commissaires-priseurs* — auctioneers who as "ministerially appointed officers" are sworn in by the Ministry of Justice — have been unsettled by recent reports that indemnities planned for in the reform could be much less than they hoped for.

The former government had promised 2 billion francs (\$333.78 million) to compensate them for the cost of purchasing a retiring colleague's practice, as French auctioneers are required to do at the start of their careers.

The current government has reportedly slashed that figure to around 600 million francs, and rumors have it that the Ministry of Finance is hostile to the idea of any compensation at all — despite the fact that funds would come not from the state budget or the taxpayers, but from an additional temporary levy on auction sales.

Meeting the competition Working for the most part in one or two-person teams, some of France's native auctioneers have announced that they plan to compete with the big internationals. Many, however, could simply disappear.

Will the June sales, a traditional high point in the calendar of collectors and dealers alike, prove to be their swan song? ●

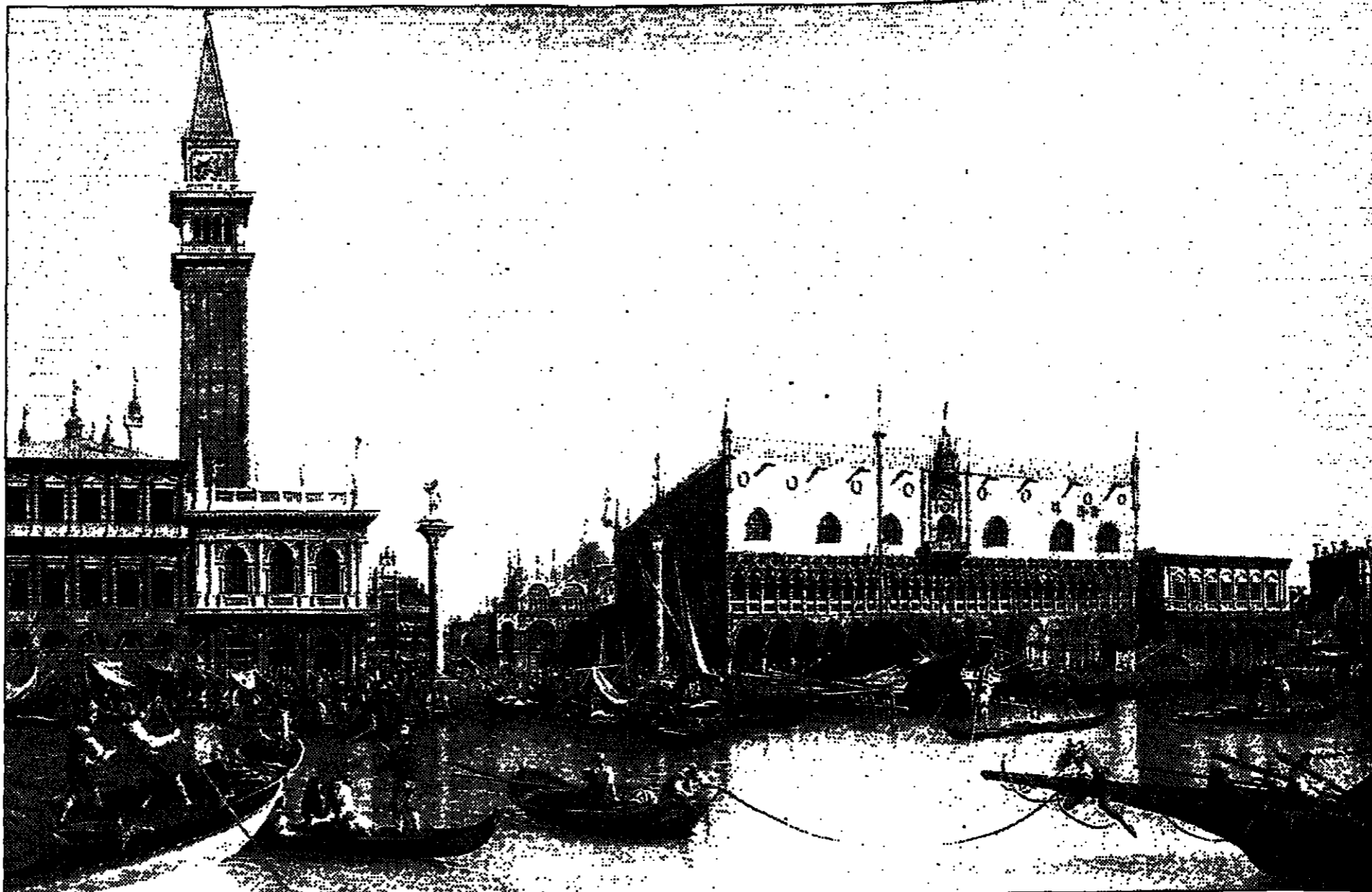


French tycoon François Pinault.

eign auction companies. Sotheby's and Christie's, which have been investing heavily to take the French market by storm.

Established since March in grand new headquarters opposite the Elysée Palace in the Galerie Charpentier, Sotheby's has been planning a major sale of the contents of Château Groussaye, near Paris.

The sale will take place as soon as new legislation allows.



Canaletto's Venetian tableaux are known and loved all over the world. Interested buyers will have the opportunity to obtain one of these paintings — along with other Old Masters — in Paris next month.

MAJOR COUPS IN OLD MASTERS IN PARIS THIS YEAR

While Old Masters are often associated with London and New York, Paris is more than holding its own this season.

From May 28 to June 1, the exhibition "Temps Forts" in the Drouot-Montaigne salesrooms will feature many of the finest objects going on the block in June and early July.

Regularly upstaged by the major salesrooms of London and New York in the field of Old Masters, Paris is now claiming some major coups.

None has such an extraordinary history as a recently authenticated canvas by Georges de La Tour, the 17th-century French artist whom

art historians rediscovered only 50 years ago.

La Tour's known output is only 45 canvases, though he may have painted as many as 300.

Used for years as a fire screen, blackened with soot and buckled by heat, "The Penitent Magdalen" sold for a few thousand francs in 1981. After restoration, the painting found its way to the United States.

Sparse and dramatic, the painting depicts the Magdalen contemplating a skull.

Only her nose, lips and chin are visible by the light of a flickering flame. Claude Aguttes, the same auctioneer who sold the work in 1981, will be offering it for sale on June 23, with an estimate of between 10 million francs (\$1.67 million) and 12 million francs.

The painting — which has been declared authentic by the world's top experts and was exhibited last year in the National Gallery of Washington — is in relatively poor condition because of its past treatment. Because it was recently imported into France, it does not need an export license.

"Choc de Cavaliers Arabes," 1833-34, by Eugène Delacroix, combines two of the artist's best-loved

themes, horses and battle, and was inspired by his journey to Morocco in 1832. The painting has been in the same French family since 1888 and will be put up for sale on June 19 by the auction company PIASA, at an estimated 8 million to 12 million francs. On June 11, the same firm will be auctioning major modern prints and a rare screen by Pierre Bonnard, estimated at 350,000 francs, before turning to Flemish, French and Italian Old Masters on June 24.

Among the works on offer in the latter sale will be a still life by the late 16th-century 17th-century Antwerp artist Osias Bert, estimated at between 4 million and 5 million francs, a kitchen scene by the 17th-century Brussels paint-

er David Teniers (1 million to 1.4 million francs) and the 16th-century "Portrait of Femme se Retournant" by the Italian Jacone (800,000 to 1 million francs).

A major Venetian scene, "Le Molo" by Canaletto will be a major feature in Jacques Tajan's sale of important Old Master paintings on June 25. On the same day, Crédit Municipal will be selling a rare pastel, a portrait of a young woman by 18th-century artist Elisabeth Vigée Lebrun, at an estimated 200,000 to 250,000 francs.

And on June 3, the Ferri auction firm will include a still life by Clara Peeters, a self-taught 17th-century painter from Flanders, estimated at between 1.2 million and 1.4 million francs. ●

THE WORLD OF CYBERART

The idea of organizing auctions on the Internet has not really taken off yet, but collectors and dealers can examine coveted items — from several different angles — thanks to the Internet site run by the Hôtel Drouot's weekly magazine, La Gazette de Drouot (www.gazette-drouot.com).

Comprehensive site The site has three sections.

The first provides a practical guide to buying and selling and a glossary of technical art market terms.

The second lists all of France's 400 *commissaires-priseurs*, with their address, telephone, fax and e-mail. This section gives direct access via the Drouot site, along with information on the Chambre Nationale, the profession's national representative body.

Third, the Gazette itself is available, minus advertisements, listing all forthcoming sales by date, individual salesroom and artistic specialty, along with comprehensive results of sales.

Catalogues on-line Another useful Web site is Art Web (www.auction-fr.com), which gives access to the illustrated catalogues of 25 auction houses in France.

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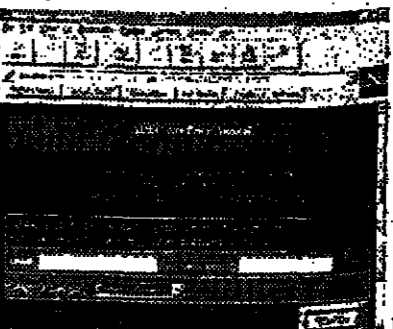
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PRIMITIVE, MODERN AND MULTICULTURAL ART

One of the largest single-artist collections of modern art ever to go on the block will be put up for sale by the firm Cernals Chambre Cohen on June 21, with an estimated sale price of between 20 million francs (\$3.33 million) and 30 million francs. The collection, 76 pieces by the leading Dadaist and friend of the Surrealists, Jean Arp, was inherited by his niece, Ruth Tillard-Arp. The pieces cover all aspects of Arp's varied and fertile career, ranging from "Collage," made of geometric paper cut-outs (1916, estimated at between 500,000 and 600,000 francs) to polychrome wood reliefs like "Fleur-Marteau, Formes Terrestres" (1916; 1.8 mil-

age aux Arbres Verts" by Pierre Bonnard (circa 1921: 600,000 to 800,000 francs); a late Chagall oil, "Violon et Ombrelle" (circa 1975: 1 million to 1.3 million francs); and works by Max Ernst, Kisting, Manguin, Niki de Saint-Phalle and Diego Rivera.

In Nanterre, just to the west of Paris, Anne Gillet-Seurat is holding an evening auction on June 18 that will include two major canvases: "Le Passeur" by Marcel Gromaire (1928, estimated at 200,000 francs) and "Roses dans un Vase," a Renoir still life estimated at between 1.8 million and 2 million francs.

All manner of surprises
Gallery owners' stocks, when they come on the market, contain all manner of surprises. One such collection, made up of more than 800 paintings, drawings and sculptures from the Left Bank Galerie de l'Académie — whose owner, Marcel Flavian, died recently — includes an astonishing range of early 19th- to early 20th-century works. The priciest item in this sale, to be held on June 17 and June 18 by Dumas et Debureau, will doubtless be a fine sculpture by Rodin's luckless mistress Camille Claudel — "La Joueur de Flûte," estimated at between 600,000 and 800,000 francs.

lion to 2.2 million francs), oil on panel paintings and bronze sculptures.

The Ruth Tillard-Arp collection also includes a major 1923 Picabia canvas, "Dresseur d'Animaux," and a small number of pieces by Arp's wife, Sophie Taeuber-Arp. The latter include "Dada Head" (1920), in turned painted wood, and "Dada Composition (Flat Head)," the projection in two dimensions onto canvas of the same composition, dating from the same year. Both are estimated at around \$800,000.

On June 15, Francis Briest will auction 35 major works from the modern art collection of Henri Brogne, a Frenchman who, after serving as a U.S. Air Force pilot, made a fortune as an inventor and opened an art gallery upon his retirement. Estimated at between 9 million and 11 million francs, the collection includes paintings from the late 19th and 20th centuries.

They include a late oil on canvas by Berthe Morisot, "Bergère Couchée" (1891; 800,000 to 1.2 million francs); a landscape, "Pays-

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Other lots include large and heroic neoclassical canvases by the students of David and Ingres, a large number of landscapes from the pre-Impressionist Barbizon school, minor works by Impressionists and Post-Impressionists such as Boudin ("Les Rivages de Saint-Adresse," 1890; 400,000 to 500,000 francs), Guillaumin, Le Sidaner and Camoin. There is also an early Dufy, "Jeune Femme sous les Pins" (circa 1903, estimated at between 100,000 and 150,000 francs).

Jacques Tajan, meanwhile, will be holding his sale of important modern art on June 24, including paintings and sculptures by 30 or so major late 19th- and 20th-century names, including Renoir, Degas, Bonnard, Marquet, Utrillo, Redon and Poliakoff.

Sales of primitive art, which French amateurs have collected since colonial days, have long been a strong point at Drouot. On June 7, François de Ricqlès will auction nearly 300 African, Oceanic

and Indonesian pieces, two-thirds of which come from three private collections. The range is vast: stylized wooden clubs from the Fiji Islands; head-rests from Tonga whose elegant, apparently simple lines are similar to those of 20th-century Art

Art Deco and Art Nouveau are major specialties in Paris, where both movements were born

Deco design; and much more.

The largest and most wide-ranging single collection in the sale was assembled over a period of 40 years by a Parisian couple, Mr. and Mrs. Philippe Solvit. Their most remarkable Oceanic pieces are a series of painted sculpted wood and vegetable fiber masks brist-

ling with grimacing animals and humanoid faces.

The African pieces include wooden Ivory Coast masks, terra cotta figures from Mali and Kota reliquaries in beaten copper.

Among the top-bracket items, a heart-shaped wooden Punu mask from Gabon and a carved wooden Bakongo maternity figure are each estimated at between 300,000 and 400,000 francs.

A Dogon hardwood statue with a fine, thick patina, from Mali, could fetch in excess of half a million francs. Many minor items in the sale, on the other hand, such as carved pulleys from different areas of Africa, should sell for as little as a few thousand francs.

More collectable pulleys, along with masks, statues and reliquaries from the seven main ethnic groups of the Ivory Coast—160 objects in all, from another private

French collection — will be put on sale on June 8 by the firm Beaussant Lefevre.

Paris specialties
Art Deco and Art Nouveau are also big specialties in Paris, where both movements were born.

On June 23, Jacques Tajan will include an exceptional small commode by Paul Iribe, an Art Deco designer who started his career as a press cartoonist. Involving extremely refined lines and precious wood, his work was heavily influenced by 18th-century French cabinet-makers.

Covered in green shark skin with encrusted decorative motifs in ebony and complete with its original marble mosaic top, the two-drawer commode — estimated at between 600,000 and 800,000 francs — will be featured alongside work by Gallé, Daurm, Frank, Dunand, Ruhlmann and others. ●

OTHER ITEMS INCLUDE CLOTHING, CARS AND BOOKS

There is much more on offer than painting and sculpture at upcoming auctions, including tapestries, racing cars and poetry.

Increasingly sought after by decorators, dealers and collectors alike, high-quality antique textiles have become a major feature of Drouot auctions over the past year or so.

A collection begun in 1775 by the ancestors of the Brocard tapestry dynasty — forced to close down because of the 1996 recession, and whose historic commissions included the ceremonial garments worn at the coronation of Napoléon — will go under the hammer of auctioneers Dumoussiet & Deburaux on June 11 and June 12.

This sale will showcase more than 2,000 pieces of needlework, textiles and tapestries, some dating from the Renaissance. Items range from embroidered 18th- and 19th-century waistcoats to



Charles Baudelaire's "Les Fleurs du Mal."

Directoire-period suspenders and tapestry seat covers.

A mauve satin suit embroidered with fruit and flowers, once worn by Louis XIV's minister Jacques Necker and estimated at between 15,000 francs (\$2,503) and 20,000 francs, will be

included alongside an array of 15th- to 19th-century textiles in Jacques Tajan's sale on June 17. Other pieces include lavish 18th-century waistcoats, 19th-century silk velvet ribbons, lace, and Flemish and Aubusson tapestries from the 17th, 18th and 19th centuries.

Auctioneer Hervé Poulain, who will be taking part for the 11th time this year in the 24-hour Le Mans race at the wheel of a Porsche 911 GT 2 decorated by French cartoonist Wolinski, is - appropriately enough,

France's leading specialist in collectors' automobiles. On June 22 at the Palais des Congrès in Paris, he and his partner, Rémi Le Fur, are organizing a major sale of 60 cars by more than a dozen makers, including Bugatti, Delage, Ferrari, Lamborghini, Aston Martin and Bentley.

A star item, estimated at between 2.5 million francs and 3 million francs, will be a MacLaren F1 GTR, which came in fifth in the Le Mans race of 1995. Only 10 cars of this model — each sold for \$1 million — were made for use on the road, along with seven racing models, including this one.

marketplaces for books. On June 17, a proof version of the first edition of Baudelaire's book of poems "Les Fleurs du Mal" will go up for sale with Laurin, Guiloux, Buffetaud

The subject of a huge scandal when it was published in 1857, the book belonged to the poet's friend and publisher August Poulet-Malassis and contains a large number of last-minute corrections in the hand of the poet himself.

All the more valuable because the manuscript has disappeared, this volume is sure to attract the attention of major libraries throughout the world and should sell for more than 3 million francs. ●



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Eugène DELACROIX
"Collision of Arab Horsesmen. 1833/34"
Oil on canvas. Signed 31 3/4 x 39 1/4 inches
Bibl.: Lee JOHNSON, vol. III & IV, No 255. Expert: Thierry PICARD
Public Viewing : Drouot-Richelieu: Thursday, June 18. Catalogue available for \$ 30.

DROUOT-RICHELIEU - Wednesday, June 24, at 2:30 p.m.
IMPORTANT OLD MASTER PAINTINGS
mainly from the Estate of Madame X.



Osias BEERT (Antwerp circa 1570 - 1624)
"Nature morte". Oak panel, 57 x 81 cm.
Provenance: Princess von Schwarzenberg, circa 1800 at Mainz.
Expert: Eric TURQUOY
Public Viewing : Drouot-Richelieu: Tuesday, June 23. Catalogue available for \$ 20.

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*Violin from Bernardus
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Replaced head.*


Public exhibition:
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AUCTION "FLORILEGES 98"
Sunday, June 14, 1998, at 2:30 p.m.
ABSTRACT AND FIGURATIVE PAINTING
IMPRESSIONIST AND MODERN ART



Andy Warhol, Fleurs.
Painting on silk screen & acrylic on canvas.
Signed. 56x36 cm. Exposition: Galerie Ileana Sonnabend.
Provenance: Collection Mr. B. Lucas.



Jasper Johns, Target 1970.
Mixed technique & Glue-making on carton 26 x 21,5 cm

For all informations: Me Marielle DIGARD
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at auction in Paris, throughout June and July

TEMPS FORTS

at Paris Drouot Montaigne
from May 28th to June 1st 1998

Among the works to be shown :

Eugène DELACROIX - « Choc de cavaliers arabes », 1833-1834. Canvas signed. 80,5 x 100,5 cm. *Madame X Secrétan*. Drouot Richelieu, Friday June 19.
 Etude PIASA (Picard, Audap, Solanet & Associés) • Georges de LA TOUR - « La Madeleine pénitente » called « La Madeleine au livre ». Canvases. 81 x 104 cm.
 Hôtel des ventes de Neuilly, Tuesday June 23. Etude AGUTTES • FUNU mask, Gabon. Wood. H. 33 cm. *Former Scheffel collection*. Drouot Montaigne, Sunday June 7.
 Etude de RICQLES • Francis PICABIA - « Dresseur d'animaux », 1923. Ripolin on canvas, titled, signed and inscribed « 5 juillet 1937 ». 290 x 200 cm, Drouot Montaigne, Sunday June 21. Etude CALMELS, CHAMBRE, COHEN • J.E.L. KESSENER - Mahogany secrétaire, mahogany veneer and ornate gilt bronze decoration. Stamped. Late Louis XV period. 147 x 91,2 x 44,5 cm. *duchess de Talleyrand's • Palais Rose • collection*. Drouot Richelieu, Friday June 19. Etude BEAUSSANT, LEFEVRE

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Reality Hits Ben & Jerry Ice Cream

Still No 3-Piece Suits At Tie-Dyed Firm, but Balance Sheet Rules

By Constance L. Hays
New York Times Service

SOUTH BURLINGTON, Vermont — First Jerry Garcia, leader of the Grateful Dead and inspiration for the popular Cherry Garcia flavor, died. Then the Peace Pop was ruled obsolete. Next, a plan to create an organic ice cream line suffered a meltdown on business principles.

The last few years have brought change and turmoil to Ben & Jerry's Homemade Inc., the counter-culture's contribution to the ice cream industry. Sure, Ben Cohen and Jerry Greenfield, the co-founders, still show up at the office in cutoff blue jeans and ride motorcycles for recreation across the rapidly disappearing Burlington countryside. And the company observed its 20th birthday on May 5 the same way it always has, with a nationwide handout of free cones.

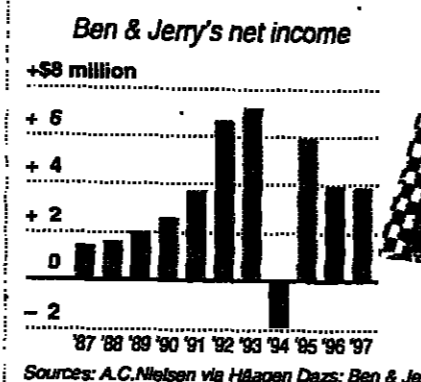
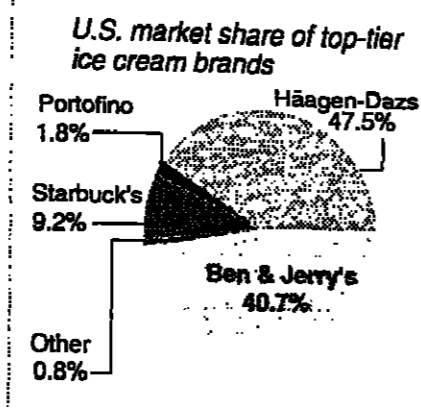
But much of Ben & Jerry's tie-dyed approach to life has vanished, replaced by a philosophy featuring balance-sheet priorities. While no one is wearing three-piece suits to work just yet, and Mr. Cohen can still be found railing against the military-industrial complex, Ben & Jerry's has undergone a transformation in which practicality rules the roost and even the social mission for which the company became so well known is much more, um, corporate.

But those fearing a sellout should ponder this: Tightening the company's business practices is not only improving the bottom line, but also seems to be promoting performance when it comes to worthy causes.

"In the past, you could put ideas out there, and sometimes they happened and sometimes they didn't," said Elizabeth Bankowski, the company's social mission director, recalling the company's earlier, erratic efforts at doing good. "We now must identify social mission objectives by function, and it's taken as seriously as every other business objective."

The person responsible for most of this is Perry Odak, who took over as chief executive 16 months ago and is widely credited with turning the company's fortunes around.

Mr. Odak, a towering, soft-spoken veteran of companies ranging from Color Tile to the U.S. Repeating Arms rifle makers, succeeded Robert Hol-



Sources: A.C. Nielsen via Häagen-Dazs; Ben & Jerry's

The Times They Are A Changin'

Ben & Jerry's new chief executive, Perry Odak, has brought a no-nonsense business attitude to the counter-culture ice cream maker. He has introduced some new flavors, redesigned packaging and dropped products like the Peace Pop and Brownie Bar.



The New York Times



Ben Cohen, left, and Jerry Greenfield. More careful business practices are helping Ben & Jerry's founders pursue favorite causes.

land, who had been selected after a highly publicized nationwide search for someone to take over the day-to-day duties from Mr. Cohen, who remains the chairman, and Mr. Greenfield, the vice chairman. Mr. Holland, a McKinsey-trained consultant whose arrival was greeted with high hopes, lasted less than two years and left for "personal reasons."

When Mr. Odak arrived in January 1997, Ben & Jerry's sales were down, and more important, morale was battered. Was the social mission, which many employees said was highly important to them, something to be abandoned in the search for profits, or was it going to continue to be a priority?

"Ben & Jerry's has suffered through a leadership crisis over the past several years," the 1996 annual report stated bluntly. Mr. Odak, 52, spent part of the

turbulent 1960s at Cornell University but was too busy putting himself through school — by milking a herd of Brown Swiss cows twice a day — to participate in student protests. He concedes a certain lack of wackiness, and when asked for his favorite ice cream, he replied, "It used to be butter pecan, but now it's always our newest flavor."

But maybe the company was finally ready for a different kind of leader. When he arrived, Mr. Odak set about reviving the business, filling management slots that had long been vacant, redefining jobs and paying for market research.

Ben & Jerry's has long had great name recognition — 78 percent of those questioned in one poll had heard of the brand — but a lot of people (50 percent in that poll) were not buying.

See ICE CREAM, Page 17

New Flak for BA-American Pact

U.S. Ready to Block Alliance Unless Rivals Get More Heathrow Slots

LONDON — The proposed alliance of British Airways PLC and American Airlines hit fresh turbulence Friday after the U.S. Justice Department said the deal should be rejected unless major changes were made.

The Justice Department said late Thursday that sufficient landing and takeoff slots had to be made available at London's Heathrow Airport to allow rival airlines to compete in the trans-Atlantic market.

American and BA carry about two of every three passengers flying between the United States and Britain.

The alliance, which has drawn criticism from competitors, would allow them to sell seats on each other's flights and would let American reach beyond Western Europe to new East European markets.

"This is a major blow," said Richard Hannah of Bankers Trust & Co. "But most BA watchers have been hardened to shock-horror announcements. We don't think this is a deal-breaker at this stage. It is another major regulatory hurdle that has to be crossed."

But the added uncertainty weighed on British Airways shares, which slipped 9 pence to 644 (\$10.50). AMR Corp., the parent of American, rose \$3.97 to close at \$150.625.

The ultimate decision lies with the Department of Transportation, which will consider the Justice Department's findings and is expected to deliver its verdict in the autumn.

The other major hurdles are the British and European Commission competition authorities, which have been considering the deal for two years.

If the decision were left to the Justice Department, the agency would challenge the alliance as a violation of antitrust laws, said Joel Klein, chief of the antitrust division.

"The combination of American and British Airways would result in air travelers paying significantly higher fares for travel between the United States and Great Britain," he said.

"From a competitive point of view, this is a troubling alliance," Mr. Klein said.

The Justice Department recommended that enough space be given up at Heathrow to allow at least 24 additional daily return

trans-Atlantic flights to be operated — equivalent to 336 weekly slots.

By comparison, the European Commission has been asking for 350 slots to be given up.

The two carriers, which insist that some slots could be found elsewhere, hope to surrender fewer than 300 slots, and possibly as few as 250, according to industry sources.

The two airlines provide more than 63 percent of the flights between the United States and Heathrow, an important gateway to other European cities, the Justice Department said.

The competitive problem on the U.S.-Heathrow routes is particularly acute when American Airlines controls the originating hub on the U.S. side, such as

those in Dallas and Miami, the department said.

The two carriers should not be allowed to coordinate fares and schedules between Chicago and London and between Dallas and London, it said, because "there's very little likelihood that any new entry would occur after American and BA join forces" on those routes.

Mr. Hannah said that if there was no compromise on slots from U.S. and European competition authorities in the coming months, the deal could be under threat.

"If the regulators push the airlines too far, they could make the whole deal fall apart, and no slots at all will be given up for new players," he said.

(Reuters, Bloomberg)

British Air's No-Frill Airline Lifts Off With a Rival Aboard

Compiled by Our Staff From Dispatches

STANSTED, England — British Airways PLC's new low-fare airline, Go, took off Friday with a raiding party from rival EasyJet Airline Co. — its fiercest critic — joining the maiden flight to Rome.

Prominent among the 147 passengers who paid £100 (\$163) each for the flight from London's Stansted Airport to Rome's Ciampino Airport was Stelios Haji-Ioannou, the owner of EasyJet. He was joined by six colleagues, all dressed in bright orange company overalls.

Go has drawn criticism from rivals who say it is intended to force out a growing crop of low-fare airlines in Europe. Its prices — less than half those charged by BA and other mainline carriers from hub airports such as Heathrow and Gatwick — have already forced others down in what could result in a costly fare war.

"We have all paid £100 because it is a ridiculously low fare and we're going to have a bit of fun," Mr. Haji-Ioannou said. "But it is below cost. It's of benefit to the consumer in the short term, but if we are eliminated, Go will be shut down and BA will go

back to high fares again."

"It's going to be a bloody battle," said Tim Jeans, the marketing director of Ryanair Holdings PLC, a Dublin-based low-fare airline that competes directly with Go for flights from Stansted. "There may well be some consolidation among the start-ups."

BA has said it is investing £25 million in Go and plans to give the airline three years to succeed. If it fails, Go's management has told BA that it would cost probably another £4 million to close down the business.

BA has said Go will be run at arm's length from the main airline to win a share of a growing market for no-frills scheduled services operated out of secondary airports.

Go plans to launch a second service from Stansted to Milan on Saturday and a third to Copenhagen on June 5, with all fares priced at an introductory £100 round-trip.

EasyJet, based at Luton, north of London, has already accused BA in a British High Court action of illegally supporting Go by providing guarantees on the leases of its fleet of Boeing 737-300s. (Reuters, Bloomberg)

'Predatory Practices' by U.S. Airlines Prove Hard for Regulators to Pin Down

By Peter Passell
New York Times Service

NEW YORK — All eyes are on the Justice Department's antitrust assault on Microsoft Corp., but Washington's efforts to preserve competition in the U.S. airline industry may prove equally contentious. While its case against the airlines does not turn on the modern complexities of software integration, the old-fashioned sins that some contend the airlines have committed may prove equally difficult to pin down.

The Transportation Department, cheered on by Alfred Kahn, the architect of airline deregulation in former President Jimmy Carter's administration, is apparently confident that the big carriers are using "predatory" practices to drive out upstarts and has proposed fines and other measures to curb such practices.

But the established airlines, which are finally making money after decades of struggle and consolidation, are showing no signs of backing down. Perhaps surprisingly, they are getting cautious support from some free-market economists.

"It's premature to conclude that you can fix the abuses without doing greater damage to a broadly competitive system," said Clifford Winston at the Brookings Institution, a research group in Washington.

Economists generally regard predatory pricing as an imaginary animal. To make predatory pricing successful, the reasoning goes, the predator has to sacrifice profit for as long as it takes to eliminate the competition — and then

be able to raise prices sufficiently to recover the losses without attracting another competitor.

This does not mean, though, that predatory pricing is always imaginary. Mr. Kahn cites the case of Northwest Airlines Inc.'s decision to cut its fare between Detroit and Boston to as little as \$69 from an average of \$259 when Spirit Airlines entered the market in

terms, since the domestic industry was deregulated in 1978. Virtually all the fares that have jumped considerably in that time fall into one of three categories, he said: fares on lightly traveled routes, fares to "fortress hub" airports dominated by a single carrier and unrestricted fares, which few people pay.

Antitrust action might eliminate the occasional \$600 fare on a 500-mile (800-kilometer) route. But Mr. Winston worries that it might also lead the major carriers to drop service on low-traffic routes and cut the shuttle-like frequency on high-density business routes.

Mr. Kahn has a more benign situation in mind. He acknowledges that the airline business is so cyclical that it is not possible to conclude that airline profits are excessive today just because the return on capital is very high. But he doubts that making the industry more hospitable to new entrants would necessarily mean higher fares or reduced service.

Mr. Kahn argues that there has never been a shortage of fledgling carriers trying to battle it out with the established ones. He says that anti-predatory enforcement, along with a host of overdue competitive measures such as opening airport gates to newcomers, policing travel-agent commissions and treating frequent-flyer benefits as taxable income, would ensure that entrants keep trying.

In Mr. Kahn's ideal world, some passengers still would pay hefty fares so that others could fly cheaply. But he also envisions an industry full of low-cost carriers. "We want a situation in which airlines really have to scramble to make a buck," he said.

Shareholders Lose Under Zenith Plan

Compiled by Our Staff From Dispatches

SEOUL — Zenith Electronics Corp. proposed a bankruptcy reorganization Friday that would make its current shares worthless and its majority shareholder, LG Electronics Inc. of South Korea, the sole owner of the struggling U.S. television maker.

The plan calls for LG to convert about \$200 million worth of debt owed by Zenith into all the common stock of the restructured company. Zenith said other creditors, as well as vendors and employees, would continue to be paid. Current shareholders would get nothing.

LG Electronics has a 19.1 percent stake in Zenith. Another LG affiliate, LG Semicon, owns 38.6 percent of the company, bringing the total share of Zenith owned by LG Group affiliates to 57.7 percent.

LG companies would face the biggest costs in the bankruptcy plan. Analysts said the two companies may be faced with a charge of more than \$350 million to write off their original investments. LG said it also would provide \$60 million in fresh loans to Zenith to support the television maker's restructuring efforts.

The Zenith problems come at a time of hardship for LG Group, which, like most other big South Korean conglomerates, is in the throes of restructuring as the country struggles to emerge from a severe economic crisis.

"LG stands to lose more if it doesn't provide the loans," said Kang Rock Hee of Daishin Securities. "The LG Group has already invested close to 1 trillion won in Zenith, and that's all gone if they choose to bail out now."

"There may be an element of throwing good money after bad," said Henry Morris, director of Industrial Research & Consulting in Seoul, "but it would certainly suggest LG's managers have some confidence in the restructuring plan."

Zenith said it would emerge from the financial restructuring by the end of the year. It eventually would shed the bulk of its manufacturing operations and buy televisions from LG and sell them under the Zenith name.

Zenith has lost money every year but one since 1985, compounding a financial squeeze faced by LG Electronics as South Korea grapples with a recession. "This is why I came here," said Jeffrey Gannon, chief executive of

Zenith, a former General Electric Co. executive who joined the company in January. "It was clear we had to find a way to restructure."

The proposal requires approval by the U.S. Securities and Exchange Commission and South Korean regulatory authorities. Once those agencies clear the plan, Zenith would submit it to a court under Chapter 11 of federal bankruptcy law.

Zenith's shares closed Friday at 43.75 cents, down 18.75 cents. In Seoul, LG Electronics shares fell 700 won to 13,200 (\$9.50).

Mr. Gannon, who would continue in his present position with Zenith, said the company was seeking buyers or partners for other businesses including its color TV picture tube and computer display tube plant in Melrose Park, Illinois, and its wood cabinet and projection-TV operations in Juarez, Mexico.

Mr. Gannon said he did not anticipate any problems with the deal, calling the plan "one of the cleanest deals" he has seen. He said creditors would be "taken care of in full." The restructuring will reduce outstanding debt by about \$250 million. (Bloomberg, Reuters)

CURRENCY & INTEREST RATES

May 22 Libid-Libor Rates									
Cross Rates	1	2	3	6	12	18	24	36	48
Amsterdam	1.282	1.287	1.292	1.297	1.302	1.307	1.312	1.317	1.322
Berlin	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
London (a)	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
Madrid	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
Milano	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
New York (b)	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
Paris	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
Tokyo	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
Zurich	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
1 ECU	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460
1 SDR	1.420	1.425	1.430	1.435	1.440	1.445	1.450	1.455	1.460

May 22 Other Dollar Values									
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Australian peso	0.9999	Guatemalan quetzal	2.00	Indonesian rupiah	1,678	Japanese yen	106.48	South Korean won	180.33
Belgian franc	6.5548	Hong Kong dollar	7.75	Italian lira	2,036	New Zealand dollar	0.68	Singapore dollar	1.36
British pound	1.6463	Malaysian ringgit	3.76	Polish zloty	4.00	Swedish krona	8.46	Taiwan dollar	34.0
Canadian dollar	0.7091	Mexican peso	16.67	Romanian leu	16.67	Thai baht	55.94	Uruguayan peso	24.0
Chinese yuan	8.2756	Norwegian krone	4.76	Slovak koruna	20.0	U.S. dollar (100)	1.00	Vietnamese dong	230.0
Danish krone	6.4656	Peruvian sol	3.05	Slovenian tolar	236.0	Yemeni rial	225.0		
East German mark	1.3360	Portuguese escudo	200.48	Sri Lankan rupee	200.0				
French franc	6.5596	Spanish peseta	166.64	Turkish lira	1,800				
German mark	1.9364	Swiss franc	1.4536						

Forward Rates									
Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day	Currency	30-day
British pound	1.6463	1.6463	1.6463	Japanese yen	106.48	106.48	106.48	South Korean won	180.33
Canadian dollar	0.7091	0.7091	0.7091	New Zealand dollar	0.68	0.68	0.68	Singapore dollar	1.36
Chinese yuan	8.2756	8.2756	8.2756						

Suitors Line Up for PolyGram's Film Company

Bloomberg News

BAARN, Netherlands — PolyGram NV's film division could fetch \$1 billion for Seagram Co., which said it would sell the unit to help cover the cost of its \$10.6 billion acquisition of the world's largest music company, analysts said Friday.

The analysts said two French companies, Canal Plus SA and Pathe SA, and two German companies, Kirch Group and Bertelsmann AG, were the most likely bidders for the film unit, which produced such films as "Four Weddings and a Funeral." PolyGram's chief executive, Alain Levy, also could try to buy the business, the Paris newspaper Les Echos reported.

Among potential bidders, only Canal Plus, Europe's largest pay-television company, has confirmed its interest in PolyGram's Filmed

Entertainment unit, whose library includes such recent hits as "The Graduate." The library is among the jewels in the European film business, which is fighting Hollywood's increasing dominance of the industry.

"If you're looking for a European candidate, it's mainly Canal Plus, Kirch and Bertelsmann," said Andre Moons, an analyst at ING Barings. "There could also be interest from the Hollywood majors if the business were to be split up and its library and other parts sold separately, but that doesn't appear to be the case."

PolyGram, its majority owner Philips Electronics NV and Seagram said they wanted to sell the film business to a third party "as soon as possible" as part of the agreement by Philips to sell its 75 percent stake in Poly-

Gram to Seagram, which offered a total of \$10.6 billion in cash and stock for PolyGram. The companies have declined to comment on potential buyers for the film unit or on the asking price.

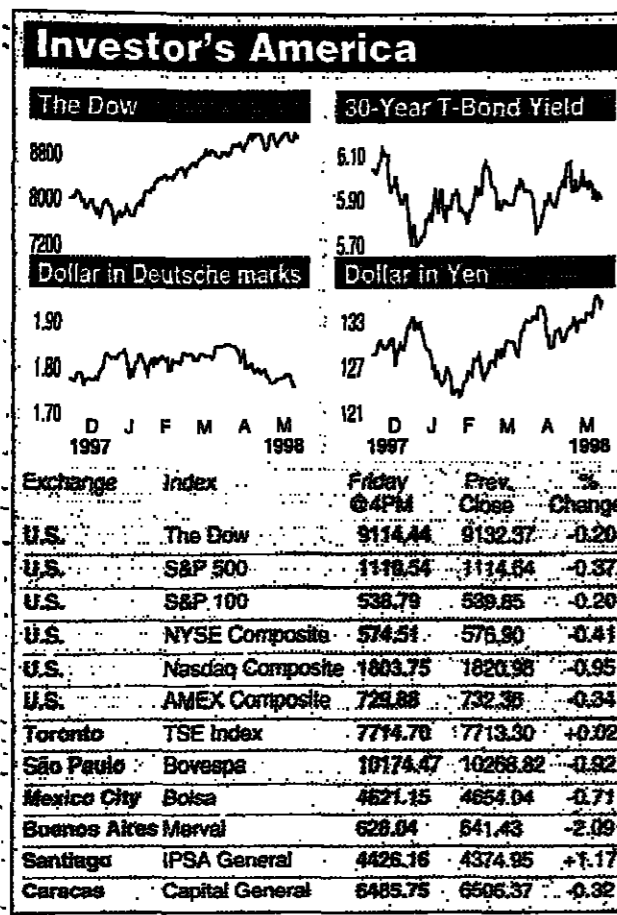
Under an agreement announced by the three companies Thursday, Seagram said that to pay for the PolyGram takeover, it planned to sell the PolyGram film business as well as Seagram's Tropica Products Inc. unit, which could fetch as much as \$4 billion.

The planned acquisition and divestment, engineered

See POLYGRAM, Page 15

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THE AMERICAS



Very briefly:

- A New York Stock Exchange floor broker who was among 10 people charged with making \$11.1 million from illegal trading pleaded guilty to securities fraud and conspiracy, Christine Beyer, 33, admitted to trading for her own account in violation of NYSE rules.
- Quaker Oats Co. raised prices on its boxed ready-to-eat cereals by an average of 3.8 percent and on its hot cereals by 3.5 percent.
- Pete's Brewing Co. agreed to be bought for about \$69 million in cash by Gambrinus Co., an importer of Mexico's Corona brand beer and Canada's Moosehead brand.
- The Securities and Exchange Commission's electronic filing system known as EDGAR, shut down late Thursday due to technical problems, is expected to be fully operational by Tuesday, the SEC said.
- Secretary of Commerce William Daley said he expected the U.S. trade deficit to worsen substantially this year, reflecting the Asian economic crisis and strong demand for imports by U.S. consumers.
- Cisco Systems Inc. said it would buy additional land in the San Francisco Bay Area that could accommodate nearly 10,000 additional employees in the future.
- Telebras shareholders were gathered Friday to approve the company's pre-privatization break-up when Brazilian courts approved five injunctions against the meeting filed by workers and others opposed to the sale of the telecommunications concern, slated for July 15.
- Coca-Cola Co. renewed its agreement with the National Football League to be its national soft-drink sponsor in a four-year deal worth \$16 million, substantially less than the \$15 million a year Coke had been paying.
- May Department Stores Co., the parent company of Lord & Taylor, Hecht's and other department stores, said it planned to invest \$3.6 billion over five years to add 100 locations to its existing base of 370 stores, remodel or expand 100 stores and invest \$350 million in new technology to improve service.

Asia Worries Pull Down Technology Stocks

Compiled by Our Staff From Dispatches

NEW YORK — Stock prices fell Friday, led by technology stocks amid renewed worries about that group's considerable exposure to Asia's economic troubles.

The Dow Jones industrial average closed 17.93 points lower at 8,144.44, and the Standard & Poor's 500 index fell 14.10 points to 1,119.54.

Declining issues outnumbered advancing ones by a 9-to-5 ratio on the New York Stock Exchange, and the Nasdaq composite index fell 15.98 to 1,803.75.

The technology sector has been beset by concerns about Asia

U.S. STOCKS

Street has drawn little encouragement from the resignation of President Suharto on Thursday in Jakarta.

"Techs are rolling over," said W. Shannon Reid, a money manager with First Union Capital Management Group. "All the profit warnings are scaring investors."

Dell Computer was the most actively traded U.S. issue, falling 1/7

to 85¢. The stock has fallen nearly 10 points since Tuesday, when the company reported strong earnings but said it had had to cut prices to move inventory. Some analysts said the results showed that Dell was not immune to the industry's price cuts and that its stellar growth was not sustainable.

Compaq Computer fell 13/16 to 27 11/16.

Manugistics Group fell 18¢ to 29 1/4 after the maker of software that helps companies automate production said it would report a first-quarter loss because of lagging sales.

Smart Modular Technologies fell

7 1/2 to 13 1/2 after the maker of computer-memory modules warned that revenue and earnings for the rest of its year would be below forecasts because of weak demand.

Ciena fell 2 13/16 to 49 1/4 after the phone-equipment maker said it was unsure when orders from WorldCom and AT&T would pick up.

Essex International fell 7 1/2 to 24 1/4. The maker of wire and cable products lowered its second-quarter earnings forecast by 25 percent, citing price competition that is expected to lower profit margins.

Ocelot fell 3 15/16 to 24 1/16 on concern that the maker of anti-knock compounds for gasoline faces a declining market for its core products.

Among the gainers, Amgen rose 3 1/4 to 65 9/16 after published reports suggested the world's largest biotechnology company could receive a takeover offer from Du Pont.

Com21 rose 3 1/4 from an initial public offering price of 12. The telecommunications-equipment company sold 5 million shares.

In the Treasury bond market, prices rose amid speculation the U.S. economy will slow enough to allow the Federal Reserve Board to refrain from raising interest rates.

The price of the benchmark 30-year issue rose 9/32 point to 103 3/32, sending the yield down to 5.90 percent from 5.92 percent Thursday.

"I'm still hard-pressed to find a reason why the Fed should be increasing the fed funds rate," said Michael Mullane, a manager at Boston Partners Asset Management.

Judge Sets Microsoft Trial Sept. 8

Bloomberg Business News

WASHINGTON — The federal judge presiding over antitrust suits filed this week against Microsoft Corp. scheduled trial for Sept. 8, rejecting the company's plea for a later date.

U.S. District Judge Thomas Jackson told Microsoft lawyers the September start should give them adequate time to respond to requests by the Justice Department and 20 states for him to halt several of the software giant's business practices.

Microsoft had asked for a seven-month delay in the proceedings to give it time to question witnesses, particularly from its rival Netscape Communications Corp. Government attorneys, arguing that it was critical for the judge to move more rapidly, asked Judge Jackson for a ruling by late July or early August on whether to issue a preliminary injunction against Microsoft.

The judge picked the September date in an effort to compromise. He told Microsoft's lawyers that putting the trial off until year-end, after the Christmas buying season, would mean that "16 to 18 million horses" would be "out of the barn" before he made his final ruling. The reference was to the number of copies of Microsoft's new Windows 98 operating system that could be in consumers' hands by then.

David Boies, a Justice Department trial counsel, argued that Microsoft's share of the market for operating systems would enable the company to gain even more dominance unless an injunction was issued this summer.

The federal and state governments are seeking to block Microsoft from illegally extending its 90 percent share of the PC operating-systems market into other areas, particularly Internet browsers.

Microsoft attorneys told Judge Jackson that as many as 2 million copies of Windows 98 would be shipped each month starting now. Personal-computer makers have already received copies of Windows 98.

Yen Slips Ahead of Report on Economy

Bloomberg News

NEW YORK — The dollar rose against the yen Friday on expectations that the Economic Planning Agency's June report would offer a dose of reassurance about Japan's economy.

Shinpei Nakaya, the agency's vice president, said the report would echo one released Thursday by the Bank of Japan that said Japan's economy was under "strong" downward pressure.

"The conditions are right for the dollar to rise to 160 yen in three months," said Sykes Wilford, a bond manager at CDC Investment Management. "The Japanese economy is in difficult straits."

The dollar rose to 135.725 yen in 4 P.M. trading from 134.950 yen Thursday. The U.S. currency was little changed against most Euro-

pean currencies. It edged up to 1.7588 Deutsche marks from 1.7585 DM Thursday, to 5.8929 French francs from 5.8925 francs and to 1.4644 Swiss francs from 1.4643 francs. The pound was steady at \$1.6305.

The yen also weakened as recent reports showed that industrial output

in Japan fell, that the unemployment rate reached a post-World War II high of 5.9 percent in March and that corporate bankruptcies rose 16.4 percent for the year ended March 31, leaving liabilities from those failures at a record high.

The yen was also hurt after the minutes of the Bank of Japan's April

9 meeting, released Friday, showed that some bank policymakers were considering cutting the country's record-low lending rates even further to spur economic growth. A rate cut would lower the return on yen-denominated deposits and bonds.

"The dollar and the mark will continue higher" against the yen, said Jamie Coleman, a foreign-exchange analyst at Thompson Research in Boston. "The Japanese economy is stagnant and getting worse."

But the dollar was held back by concern that the Bank of Japan might sell the U.S. currency to bolster the yen.

Any selling Monday would have an exaggerated impact, with U.S. markets closed for the Memorial Day holiday.

Discreet Seeks To End MGI Deal

Bloomberg News

TORONTO — MGI Software Corp. said Friday that Discreet Logic Inc., maker of special effects for movies and television, wanted to abandon its agreement to purchase the Canadian software maker for \$65 million in stock.

MGI said it had received a letter Thursday from Discreet, which says the company has the right to terminate the purchase because of "unspecified allegations of breaches" of the agreement. Discreet asked MGI to agree to end the transaction.

MGI rejected Discreet's position and refused to agree to a cancellation. Discreet offered to purchase MGI in March.

Safer Sport Utility Vehicles Are in Works

By Keith Bradsher

New York Times Service

DETROIT — Automakers have quietly begun trying to design sport utility vehicles that will be less dangerous to other motorists.

Ford Motor Co. has secretly begun redesigning the suspensions of the Ford Explorer and Expedition, the Mercury Mountaineer, the Lincoln Navigator and future sport utility models, so the vehicles will ride as much as several inches lower and be less likely to override cars' bumpers and other safety features during crashes, a Ford manager said.

General Motors Corp. has designed a prototype for a new Chevrolet Suburban that also rides lower and is test-driving it.

Both automakers are trying to make the bulk of the vehicle, in-

cluding the bumper and steel underbody frame, ride closer to the wheels in future years while making sure that the lowest parts of the vehicle, including the axles, ride as high as they do now to preserve the ground clearance prized by off-road drivers.

Chrysler Corp. and foreign automakers also say they have begun looking for ways to reduce the hazards of sport utility vehicles, although their plans are not known.

"Clearly this subject has the attention of the industry," said Jerry Hirschberg, president of Nissan's North American design operations. "It's talked about in board meetings. It's even talked about in sales and marketing meetings."

Sport utility vehicles are nearly three times as likely as midsize cars to kill the other driver in a collision because

they are heavier, taller and have very stiff frames, federal regulators say. Some experts question whether sport utility vehicles with lower suspensions will be significantly safer as long as the weight difference remains.

"You just lower the battering ram," said James Hall, a former GM executive who is now a consultant at Auto Pacific Inc., a market research firm.

But Judith Stone, president of Advocates for Highway and Auto Safety, a Washington group, said lowering the suspensions on sport utility vehicles would not only make them less dangerous to other motorists but would also make them less likely to roll over by lowering their centers of gravity.

"It's certainly a major safety decision and likely to contribute to the saving of lives," she said.

AMEX

Friday's 4 P.M. Close
The 300 most traded stocks of the day, up to the closing on Wall Street.
The Associated Press

Stock	Sales	High	Low	Latest	Chge
IBM	180	124 1/2	124 1/4	124 1/2	+1/4
Microsoft	170	40 1/2	40 1/4	40 1/2	+1/4
Apple	160	34 1/2	34 1/4	34 1/2	+1/4
Oracle	150	28 1/2	28 1/4	28 1/2	+1/4
Amazon.com	140	18 1/2	18 1/4	18 1/2	+1/4
Yahoo	130	14 1/2	14 1/4	14 1/2	+1/4
Google	120	12 1/2	12 1/4	12 1/2	+1/4
Alibaba	110	10 1/2	10 1/4	10 1/2	+1/4
Facebook	100	8 1/2	8 1/4	8 1/2	+1/4
Twitter	90	6 1/2	6 1/4	6 1/2	+1/4
LinkedIn	80	5 1/2	5 1/4	5 1/2	+1/4
Dropbox	70	4 1/2	4 1/4	4 1/2	+1/4
Slack	60	3 1/2	3 1/4	3 1/2	+1/4
Zoom	50	2 1/2	2 1/4	2 1/2	+1/4
Twilio	40	1 1/2	1 1/4	1 1/2	+1/4
SendGrid	30	1 1/4	1 1/2	1 1/4	+1/4
Mailchimp	20	1 1/2	1 1/4	1 1/2	+1/4
Buffer	10	1 1/4	1 1/2	1 1/4	+1/4
Calendly	5	1 1/4	1 1/2	1 1/4	+1/4
Notion	5	1 1/4	1 1/2	1 1/4	+1/4
Obsidian	5	1 1/4	1 1/2	1 1/4	+1/4
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Roam	5	1 1/4	1 1/2	1 1/4	+1/4
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EUROPE

For Philips,
A Mission
Completed

Agence France-Presse
EINDHOVEN, Netherlands — The sale of PolyGram NV, the world's largest record company, to Seagram Co., the Canadian owner of Universal Studios, ushers in a new era for Philips Electronics NV as it refocuses on its core business of manufacturing electronic equipment.

The Dutch electronics giant is expected to earn \$7.95 billion from the sale of its 75 percent stake in PolyGram, the largest capital gain ever made by Philips from the sale of a subsidiary.

"With the divestment of its stake in PolyGram, Philips will have accomplished its main objective in the restructuring of the company," Cor Boonstra, Philips' president, said when the sale was announced Thursday.

The sale of PolyGram is the pinnacle of a radical restructuring program that Philips launched in the early 1990s to try to improve its erratic financial performance.

Philips had a net loss of \$2.47 billion in 1990, and it has swung back and forth between profits and deficits ever since. It had losses of \$485 million in 1992 and \$315.5 million in 1996.

The losses led Mr. Boonstra's predecessor, Jan Timmer, to slash jobs and sell assets.

He also cut the number of Philips employees worldwide by about 25 percent in 1991.

Mr. Boonstra, who took over in October 1996, has led a less drastic restructuring campaign but has still sold about 30 of the group's subsidiaries in less than two years.

The "Boonstra method" has produced spectacular results. Philips went from the \$315.5 million loss in 1996 to a profit of \$7.3 billion (€5.86 billion) just one year later.

In the first quarter of this year, it showed a profit of 1.56 billion guilders. About 54 percent of that result came from the sale of Philips Car System, which makes car radios, to Mannesmann AG of Germany.

About 43 percent of the company's 1997 profit came from sales of its stakes in Taiwan Semiconductor Manufacturing Co., United & Philips Communications, ASM Lithography Holding NV and Tele-text Ltd.

Lukoil Seeks a Way to Stay No. 1
Russian Oil Giant Considers Buying Smaller Producer

Blumhagen News
MOSCOW — AO Lukoil Holding said Friday that it might bid for AO Sidanco, a smaller oil company worth about \$2.55 billion, a move that would allow Lukoil to remain Russia's biggest oil company and give it refining capacity.

Lukoil is in talks with the owners of Sidanco, Russia's Unkimbank and British Petroleum PLC, and will complete its evaluation of the company soon, said Igor Beketov, a spokesman, confirming comments by the president of Lukoil, Vadim Alekperov, on Thursday.

The move indicates that Lukoil is concerned about losing the political power that goes with being Russia's biggest oil producer. Two other Russian companies, AO Yukos Oil Co. and AO Sibneft, plan to merge by the end of the year, overtaking Lukoil in terms of

production. Russia depends on oil and gas exports for almost half of its foreign-currency earnings.

"There's consolidation taking place in the Russian oil industry, and Lukoil clearly wants to be the biggest," said Alan Marshall, head of energy research at Robert Fleming Securities in London. "Whether the biggest is the best is another question, but Lukoil will see itself as a fit competitor for Western companies coming to Russia."

In Moscow, Lukoil shares fell 65 cents to \$11, a two-year low, on concern that it would be expensive to overhaul Sidanco, whose profit fell 70 percent last year.

Lukoil produced 62.3 million tons of crude oil in 1997, roughly equal to British Petroleum. Sidanco, the sixth-largest Russian oil company, produced 20.2 million tons. The combined output of

Yukos and Sibneft was about 65 million tons.

Lukoil has 10.7 billion barrels of oil in reserves, and Sidanco has 6.9 billion barrels, giving them the world's 11th-largest and 16th-largest reserves, according to Petroleum Intelligence Weekly.

Unkimbank owns 85 percent of Sidanco, and British Petroleum owns 10 percent. BP has the power to veto a takeover of Sidanco. Sidanco's market capitalization, calculated on the basis of the company's few shares traded in Moscow, is \$2.55 billion.

Unkimbank did not deny Mr. Alekperov's comments, but added that no decision had been made to sell Sidanco.

"Sidanco is negotiating with various companies on possible forms of cooperation," said Sergei Chernitsyn, a spokesman.

Rate Increase
Plays Poorly
In Norway

Reuters
OSLO — Norges Bank, the country's central bank, said Friday it was raising its interest rates half a percentage point to try to support the currency, the krone.

But some analysts said the move already had been discounted by the market and was too little, too late, and labor leaders criticized the increase.

The central bank raised the overnight lending rate to 6.25 percent and the deposit rate to 4.25 percent, effective Monday. Norway last changed the rates March 19, with an increase of a quarter of a point.

"The decision to raise rates was made in response to recent developments in money and foreign-exchange markets," said Kjell Stordvik, governor of the central bank.

"It's two days too late," said Peter Warren, chief dealer at Finansbanken. "When there was no rate increase on Wednesday, people started attacking the crown. When Norges Bank was not on the ball yesterday, the crown weakened so sharply that 50 basis points was not enough to undo the damage."

The krone rose against the Deutsche mark, with the mark falling to 4.2147 kroner from 4.2290 kroner Thursday. The currency had softened because of low oil prices, fears of overheating in the economy and concerns that investors would abandon the krone in favor of the euro when 11 other European countries join in that currency next year.

Norway's centrist government proposed a budget May 15 that contained measures to slow the booming economy, but some economists said the measures were not enough to prevent the economy from spinning out of control.

In the budget, the government also raised its forecast for wage increases this year to 5 percent from 3.5 percent in a December budget.

The public-sector union AF, which has appointed a mediator to try to break a deadlock with employers over pay increases, was quick to criticize the rate increase, saying it raised the chances of industrial action.

"The interest-rate increase makes it so much harder to reach an agreement," Magne Sonvoll, a union spokesman, said. "The timing could not have been worse for this increase, considering the wage negotiations."

Investor's Europe			
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40	
5400	6200	4200	
5000	5800	3800	
4700	5400	3400	
4300	5000	3000	
4000	4700	2700	
3600	4300	2300	
3200	3900	1900	
2800	3500	1500	
2400	3100	1100	
2000	2700	700	
1600	2300	300	
1200	1900		
800	1500		
400	1100		
0	700		
1997	1998	1997	1998
Exchange	Index	Index	Index
Amsterdam AEX	1,154.41	1,194.20	+0.02
Brussels BEL-20	3,198.89	3,178.53	+0.48
Frankfurt DAX	5,564.21	5,510.88	+0.97
Copenhagen Stock Market	737.51	737.88	-0.05
Helsinki HEX General	4,999.42	4,916.14	-0.14
Oslo OBX	713.91	721.39	-1.04
London FTSE 100	5,955.60	5,935.60	+0.34
Madrid Stock Exchange	884.43	879.62	+0.55
Milan MIBTEL	24318	24158	+0.66
Paris CAC 40	4,048.78	4,047.82	+0.05
Stockholm SX 16	4,188.28	4,129.55	+1.37
Vienna ATX	1,607.16	1,594.59	+0.76
Zurich SPI	4,770.23	4,740.01	+0.64

Very briefly:

- Olivetti SpA posted a pretax loss of 42 billion lire (\$24.1 million) for the first four months of 1998, narrowed from a loss of 305 billion lire a year earlier, as sales rose 59 percent, to 1.79 trillion lire; Omnitel Pronto Italia SpA, its mobile-phone venture with Mannesmann AG, contributed first-quarter net profit of 91 billion lire, turning around a loss of 144 billion lire a year earlier.
- Iberia Lineas Aereas de Espana SA had net earnings of 4.48 billion pesetas (\$30 million) in the first four months of 1998, its first profit ever in that traditionally slow period, after reducing the number of its flights by 3.6 percent overall and 6.7 percent on trans-Atlantic routes.
- Zeneca Group PLC said Thomas McKillop, the head of its pharmaceuticals division, would become chief executive next year, succeeding David Barnes, who will become chairman of the drug and agrochemical company when the current chairman, Sydney Lipworth, retires in May 1999.
- Tiger Management LLC, a New York-based hedge fund, said former Prime Minister Margaret Thatcher of Britain had joined its 10-member advisory board.
- Britain's gross domestic product grew 0.5 percent in the first quarter for a year-on-year rise of 2.9 percent, according to the Office of National Statistics; the figures were upward revisions, mainly on revised production data, from the originally reported 0.4 percent and 2.8 percent.
- Russia's industrial production fell 4.2 percent in April from March but rose 0.8 percent on a year-on-year basis as consumer demand for cars and pharmaceuticals offset lower fuel production, the State Statistics Committee reported.
- Telecom Italia Mobile SpA said its first-quarter profit jumped 62 percent, to 505.5 billion lire; the cellular-phone company, Europe's largest, also said it signed up more than 850,000 customers in the quarter.

POLYGRAM:
Suits Line Up

Continued from Page 13

participation certificates rose 0.2 percent, to 222 Deutsche marks (\$124.87).

While some analysts estimated the value of the film business at between \$800 million and \$1.2 billion, others said they believed that was too much for a business that had a loss last year: expansion costs resulted in a 1997 loss of 109 million guilders at PolyGram's film business.

"Any value a potential buyer pays above and beyond the library value is essentially goodwill," said Jeff Meys, an analyst at ABN-AMRO, adding that he believed a price of \$325 million was most realistic and anything at the \$1 billion level was "more illusion than reality."

Canal Plus' chief executive, Pierre Lescure, told the French daily Le Monde that while he was interested in buying the film unit, a price of 5 billion to 6 billion francs would be "too much."

Bertelsmann declined to comment on whether it would bid, and executives of Kirch and Pathe could not be reached for comment.

A management buyout led by Mr. Levy, a prospect that PolyGram de-



Philips' president, Cor Boonstra, left, Edgar Bronfman Jr., center, and Frank Biondi, the Universal Studios chief, announcing the purchase of PolyGram by Seagram in New York.

clined to comment on, is considered less likely than a takeover by another entertainment company, analysts said.

"He's a music guy, and I would expect him to stay in the music business because that's where his strength is," Mr. Moons said.

Philips and PolyGram will have a say in finding a partner for the film unit, and Mr. Moons said they might

favor a European buyer to ease concerns about the dominance of U.S. companies in the European film industry.

Meanwhile, the film division's financial outlook seems to be improving. Its first-quarter sales rose 64 percent, to 480 million guilders, with help from "The Big Lebowski," directed by Joel Coen and Ethan Coen, and "Bean."

WORLD STOCK MARKETS

Friday, May 22

Prices in local currencies.

Telecom

High Low Close Prev.

Amsterdam

AEX Index: 1794.1

Previous: 1794.38

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Top Japan Ball

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How Labour is

ICE CREAM

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ASIA/PACIFIC

Top Japan Banks Facing Up to Loan Losses

Compiled by Our Staff From Dispatchers

TOKYO — More leading banks announced large losses Friday after taking much-needed write-offs on bad loans, but they, like two others that announced similar moves the day before, also promised a quick return to profit.

The announcements by several Japanese banks including Bank of Tokyo-Mitsubishi Ltd., the world's largest bank, showed a new sense of urgency in tackling the bad-debt problem that results from easy lending policies in the speculative "bubble" economy of the late 1980s.

New rules on assessing loans that took effect for the year that ended March 31 forced banks to take a harder look at their loan portfolios and set aside enough money to cover potential losses. In the past, banks were required only to dispose of loans clearly in default.

Bank of Tokyo-Mitsubishi Ltd., the world's largest bank, said it wrote off a record 1.43 trillion yen

(\$1.06 billion) in bad loans in the year ended in March.

"The situation is still uncertain," said Shin Nakahara, one of the bank's senior managing directors. Tokyo-Mitsubishi posted a pretax loss of 834.9 billion yen for the year, reversing a profit of 181.9 billion yen the previous year.

It had a net loss of 524.4 billion yen, reversing net income of 40.7 billion yen a year earlier. "We think the crisis has passed in South Korea and Thailand, so prospects for our bad debt write-offs in the broader region depend now on Indonesia," Mr. Nakahara said.

Tokyo-Mitsubishi's bad loans outstanding, calculated under international standards, totaled 2.25 trillion yen at the end of March.

The bank forecast that it would return to profit this year, with a pretax profit of 220 billion yen and net profit of 70 billion yen.

Fuji Bank Ltd. posted a pretax loss of 517.3 billion yen, in contrast to a profit of 75.4 billion yen the year

ended in March. It said its bad-loan write-offs had totaled 980.7 billion yen.

Fuji Bank forecast that the current year would bring it a pretax profit of 110 billion yen.

Sanwa Bank Ltd. posted a pretax loss of 370 billion yen, reversing the previous year's profit of 56.3 billion yen. Sanwa wrote off 950.3 billion yen in bad loans.

The bank also forecast a strong recovery this year, with pretax profit of 170 billion yen.

Dai-ichi Kangyo Bank Ltd. posted a pretax loss of 96.9 billion yen, an improvement from the previous year's loss of 313.1 billion yen.

It posted a net loss of 72 billion yen, narrowed from a net loss of 177.3 billion yen in the previous year. The bank wrote off 752.8 billion yen in bad loans but is still burdened with 1.471 trillion yen in such loans.

Dai-ichi has outstanding loans to Asia of 1.6 trillion yen, including 190 billion yen to Indonesia, a bank executive said.

"We see that the situation in South Korea and Thailand has calmed down, although it is still fluid in Indonesia," the executive said. "We are hoping the Indonesia situation will be stabilized as early as possible."

Tokai Bank Ltd. reported a group pretax loss of 51.0 billion yen after writing off 378.2 billion yen of bad loans. It had a profit of 41.4 billion yen in the preceding year.

For the year ending next March, Tokai Bank forecast a group pretax profit of 90 billion yen.

On Thursday, Sumitomo Bank Ltd. and Daiwa Bank Ltd. also posted losses related to bad-loan write-offs but forecast a return to profit this year. The write-offs and losses in the banking industry capped a year that saw collapses and a near-crisis in the financial industry and led the Japanese government to put together a 30 trillion yen package to help the banks and protect depositors.

(AFP, Bloomberg)

Seoul Jobless Crept Higher Last Month

Compiled by Our Staff From Dispatchers

SEOUL — A record 1,434,000 South Koreans were out of work in April, the government said Friday, increasing tensions as a labor group proceeded with plans for a day of large-scale strikes next week.

The jobless rate rose to 6.7 percent in April from 6.5 percent in March, equalling a 12-year high set in February 1986, the National Statistical Office said.

The rate could keep rising, because laws making it easier to dismiss workers by giving two month's notice took effect only last month. Plans by some of the country's biggest companies, including Hyundai Motor Co., to cut as much as one-fifth of their work forces also may drive up the total.

Lee Hwa Young of the statistical office's employment search division said the country's recession idled many retail and construction-industry workers last month.

Meanwhile, South Korea's second-largest trade-union group reiterated its plan to call for massive strikes Wednesday unless the government and employers moved to head off rising unemployment.

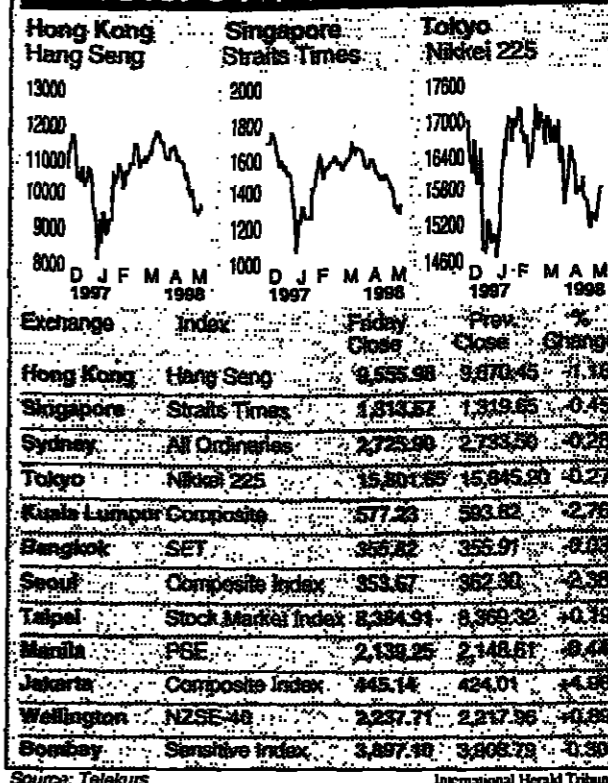
"It wasn't an easy decision," said Lee Gab Yong, leader of the Korea Confederation of Trade Unions, which has 550,000 members. "It's a result of tremendous amount of agony about what is the best for the economy and the country. We're aiming for a strike which can be accepted and supported by the whole nation."

Among the union's main goals are the dissolution of big family-owned industrial groups, a tripling of the unemployment fund to 20 trillion won (\$14.4 billion) by increasing tax collections from the rich, the abolition of the new laws making it easier to fire workers and a renegotiation of the agreement the government reached in December with the International Monetary Fund.

Separately, South Korea posted a record monthly trade surplus of \$3.9 billion for April as sluggish domestic demand caused imports to plunge. Exports rose 6.6 percent to \$12.15 billion, while imports fell 36 percent to \$8.24 billion. The surplus reversed a trade deficit of \$1.4 billion for March and brought the surplus for the first four months of the year to \$12.31 billion, nearly halfway to the government's target of a trade surplus of \$25 billion for the full year.

(Bloomberg, AFP)

Investor's Asia



Source: Telatours International Herald Tribune

Very briefly:

- Japan's Ministry of Finance suspended Sumitomo Capital Securities, the brokerage affiliate of Japan's second-biggest bank, from government bond auctions after securities regulators said the brokerage had made illegal visits to clients. Such visits are prohibited unless they are prompted by a request from a client regarding a specific product.
- Optus Communications Pty., Australia's second-largest phone company, will acquire the nation's third-largest Internet service provider, Microplex, for an undisclosed sum. Microplex has about 6,000 dial-up Internet customers and has sold more than 80,000 Internet access cards.
- Daiwa Securities Co. will move its international business headquarters to London from Tokyo to try to cut costs and improve efficiency. It said it also saw London growing in prominence as an international financial center.
- Nissan Motor Co.'s exports fell 14 percent in April from a year earlier, their first decline in 20 months, and domestic production slumped 21 percent. Japan's four other major carmakers also said domestic production fell in the month, although by smaller margins.
- Japan's net overseas assets of 124.59 trillion yen (\$923.23 billion) at the end of 1997 were the largest in the world for the seventh consecutive year, the Ministry of Finance said. They totaled 103.36 trillion yen in 1996.
- Bank of Japan policymakers are showing sympathy to the idea of cutting Japan's already low interest rates to spur the economy, but only as a last resort, according to newly released minutes of the central bank's April 9 policy meeting.
- Nomura Securities Singapore Ltd. slashed its forecast for Indonesia's economy this year, predicting that output would shrink 10 percent, compared with its previous forecast of a 5 percent drop. It said the flight of ethnic Chinese residents and their capital was the most damaging recent development.
- Fujitsu Ltd.'s pretax profit fell 19 percent, to 115.1 billion yen, in the year that ended March 31 on falling chip prices and a slowdown in the growth of personal-computer shipments.

Bloomberg, Reuters, AFP

How Indonesia Can Climb Off the Casualty List

By Peter Passell
New York Times Service

NEW YORK — While no one disputes that the Indonesian economy has stumbled badly and shows few signs of imminent recovery, many specialists are strikingly optimistic about its long-term prospects. Three decades of balanced development, they suggest, have positioned it for sustained growth.

Last summer, as financial crisis spread across Asia, many economists expected that Indonesia would dodge the bullet. With a balanced budget, low inflation and a healthy trade account, they said, there was no good reason for speculators to attack the Indonesian currency. Many analysts also ignored the country's ballooning corporate debt and crown capitalism.

"Of all the economies in Southeast Asia, it seemed the least prone to disaster," said Steven Radelet of Harvard's Institute for International Development.

But when regional panic did engulf the economy last fall, high-flying banks and businesses found themselves with huge debts in dollars that they could not possibly repay with their severely depreciated rupiah. As in much of the rest of

Asia, repair will require huge financial restructuring.

More fundamentally, analysts and economists say, the country must turn away from the crony capitalism that led to wasteful investments in everything from autos to airplanes.

"Indonesia needs to go back to the roots of its success, using cheap,

Perhaps most important, economic planners did not make the mistake of holding down food prices to pacify urban constituencies at the expense of peasant farmers.

Rice production exploded, making the country self-sufficient in food by 1980, and high rice prices, along with technological changes

Three decades of balanced development have positioned it for sustained growth, economists say.

abundant labor to power a fresh export boom," said Albert Fishlow, an economist at the Council on Foreign Relations.

While oil, mining and plantation crops gave post-colonial Indonesia a toehold in the international economy, its takeoff in the last few decades reflected a number of enlightened decisions.

Indonesia encouraged rural development in the 1960s and 1970s, investing heavily in primary education, health care, family planning and roads linking isolated regions to markets.

"Infrastructure — physical and social — made a huge difference," said Iwan Azis, an economist at the University of Indonesia in Jakarta.

that doubled or tripled productivity, helped slash poverty.

"Two Indonesians in three lived below the poverty line in the 1960s," Mr. Radelet noted. "Last year the figure was below 15 percent."

In the 1970s, the technocrats in Jakarta made the rupiah convertible, allowing foreigners to repatriate profits earned in Indonesia and encouraging investment.

In the mid-1980s, after oil prices collapsed, planners made the critical decision to follow the lead of the Asian "tiger" economies by focusing on manufactured exports.

With duty-free access to industrial machinery and raw materials and an exchange rate set to make Indonesian exports competitive, the

apparel industry boomed. Shoe and toy manufacturing followed, and by the mid-1990s Indonesia had joined Thailand and Malaysia in electronics assembly.

The result was sustained 7 percent growth and, by the mid-1990s, an average income level of about \$3,500 in terms of purchasing power — higher than in China or the Philippines.

The economy's vulnerability to financial collapse, however, can be traced to the mid-1980s, when Indonesia opened the banking industry to competition but did not put modern bank regulations in place.

"It's as if the government had gotten rid of the policeman at every corner but didn't bother to put up stop signs or lights," Mr. Azis said. "The traffic moved faster but was prone to accidents."

One can also spot weaknesses in the rush in the late 1990s to move from labor-intensive industries to more advanced ones such as automobiles, petrochemicals and aircraft. Like the South Korean tycoons in the late 1970s, Indonesia's economic elite — former President Suharto's family and friends — had grandiose ideas for vaulting into modernity, and the cozy political system guaranteed them access to capital.

ECONOMY: Indonesia Edged Close to Collapse This Week, Diplomats Say

Continued from Page 1

from a package valued at \$43 billion that will be released only in exchange for implementation of agreed reforms.

Diplomats said it was the refusal of leading ministers headed by Mr. Ginandjar to serve in a new "reform" cabinet that Mr. Suharto wanted to name this week, and their warning that the world's fourth-most-populous country faced economic collapse, that finally induced the military chiefs to tell the president late Wednesday that he must end his 32-year rule.

The threat of rampant inflation and a looming budget collapse, the senior diplomat said, was "a very important factor in the way the crisis played itself out."

Those who removed Mr. Suharto "knew that they would never get international assistance if they stayed blocking credible political reform," the diplomat said. "They pushed him out to maximize their chances of getting effective international assistance. They clearly recognize that this is imperative."

The rupiah hit a low Tuesday,

with the dollar at 16,000 rupiah against 2,400 rupiah before the East Asian currency turmoil began in July, when Mr. Suharto appeared to be clinging to office against a wave of popular protest.

The currency held steady Friday, with the dollar at 11,000 rupiah at the close of trading in Jakarta. But at this level, many Indonesian companies are still technically bankrupt and have no hope of repaying foreign borrowings amounting to more than \$80 billion.

Dewi Fortuna Anwar, a close adviser to Mr. Habibie, told Reuters Television that "if something is not done very quickly to stabilize the economy," the serious social unrest that erupted in Jakarta and many other Indonesian cities last week could recur.

"If that happens and Indonesia goes through a period of political instability with constant changes of governments, I think the economy will go over the brink," she added.

Nomura Securities Singapore Ltd. said Friday that it expected the Indonesian recession to get much worse because of damage caused by the recent troubles, with the econ-

omy contracting 10 percent this year, instead of a previously estimated 5 percent.

Fong Cheng Hong, senior vice president and head of Asian fixed-income research for Nomura, said that the flight of ethnic Chinese and their capital following anti-Chinese attacks in Indonesia was "most damaging" to the economy.

The Chinese — who fled along with many foreign investors and business people — make up just 4 percent of Indonesia's population of 200 million, but they are estimated to control two-thirds of the economy.

Referring to the political threat posed to Mr. Habibie's government by the worsening economy, Miss Fong said that "you can change the driver, but without the fuel to run the car, it's just not going to move."

Rizal Ramli, an economist who heads the Econtec consultancy group in Jakarta, estimated that Indonesia's usable reserves had fallen rapidly to a level of no more than \$7 billion. He predicted that inflation, driven by the increasing cost of imports because of the weakness of the rupiah, could reach an annual level

of 80 percent by the end of the year.

"We need a lot of capital fast, both from international financial institutions and the private sector," Mr. Ramli said. "But creditors and investors will want to wait until a new political equilibrium is reached in Indonesia. They are afraid that the Habibie government does not have a broad enough base of support and will not last long."

The World Bank and the Asian Development Bank welcomed the government named by Mr. Habibie, although officials did not minimize the difficulties it faced from soaring inflation and unemployment, capital flight, stagnant trade, stalled growth and possible challenges to its political legitimacy.

"Generally, I was impressed by the quality of the selections to the new cabinet, and I was especially pleased at the broader economic team selections," the Indonesia director for the World Bank, Dennis de Tray, told Reuters. He added that the new team "has a tremendous challenge ahead of it and the World Bank is ready to start working with them immediately."

ICE CREAM: Reality of Bottom Line Hits Tie-Dyed Company

Continued from Page 13

Some consumers were put off by the high fat content, not to mention the steep price, of the "super premium" ice cream. But many others were confused by the packaging, according to Mr. Odak.

"If you didn't get the funky names," he said, "you didn't know what was in the package."

To aid shoppers who lacked the time to figure out what Chubby Hubby, say, might contain (malt-flavored ice cream with chocolate-covered, peanut-butter-filled pretzels), he redesigned the carton, pushing the picture of Ben and Jerry off the lid and onto the back and toning down the graphics so that more realistic pictures of the ingredients replaced the busy, hand-drawn look. A \$2 million radio advertising campaign was ordered up — a lot for Ben & Jerry's.

Two sagging products, the Peace Pop and the Brownie Bar, were abandoned. In their place came the Phish Stick (a fish-shaped, chocolate-covered confection named for the alternative-rock band) and a series of ice creams on sticks that look more like something Good Humor might come up with. (Cherry Garcia, a mélange of vanilla,

chocolate and cherries, is still sold. Some delectable flavors that retain a following, like Dastardly Mash, are being recycled this year.)

"We needed to tone down the funkiness without losing the fun," Mr. Odak said. As for the Peace Pop's demise, he added: "We said to ourselves, where is the equity? It's in the Ben & Jerry's name, not in the name Peace Pop."

Last month, the company announced an alliance with the actor Paul Newman, in which it will make Newman's Own ice cream. Newman's Own will receive a licensing fee from Ben & Jerry's for the use of its name. The new product will also absorb some of the company's excess factory capacity and give it a contender in the slightly less expensive "premium" ice cream category.

"It's a win-win situation," said Kim Galle, an analyst at Adams Harkness & Hill, a Boston investment bank. The company earlier this year introduced a new flavor, Dilbert's World Totally Nuts, to the popular comic strip. Mr. Odak plans to add more "scoop shops," as the company's retail outlets are known, and at least five of those are to be operated with nonprofit groups to employ

homeless or otherwise needy people. The company also plans to start selling its ice cream in half-gallon containers in a bid to increase sales volume.

Beyond that, Mr. Odak has increased Ben & Jerry's presence abroad: A single-serving package is being marketed in Japan, and the company is to open several scoop shops in Paris in June.

There is a new licensing effort as well, which will initially make jackets and shirts with the Ben & Jerry's logo and could lead to additional food and apparel products.

All this seems to be working. Ms. Galle projects 12 percent growth in sales this year, to \$194.4 million, while earnings for the first quarter were \$380,000, compared with a \$1.06 million loss a year earlier.

The company still lags behind Haagen-Dazs, the leader in the super-premium category. Haagen-Dazs had super-market sales of \$157 million for the year that ended in late March, according to Information Resources Inc., while Ben & Jerry's took in \$120 million from supermarket shoppers during the period.

The ice cream business as a whole grew by 11.7 percent in that period, to \$3.3 billion, according to Information Resources.

The stock of Ben & Jerry's, which made its debut at \$30.50 a share in 1992 but had fallen as low as \$12 last April, is now hovering around the \$20 mark, a development that has also aided employee morale.

The company's social agenda also appears to be back on track. Mr. Odak points proudly to an environmentally friendly container, made of unbleached paper, that the company has developed and is expected to start using later this year.

Contrast that with some of the colorful but ultimately inefficient quirks that had prevailed under Mr. Cohen and Mr. Greenfield.

Some plans really boomeranged. There was the time the company touted its environmental friendliness in arranging to use nuts from a Brazilian cooperative intended to discourage the cutting of rain forest trees. Highlighted on packages of Rainforest Crunch ice cream, the cooperative actually supplied only about 5 percent of the nuts used in the product.

While the intentions were good, that 5 percent was judged way too low to be supporting the rain forest by the media, which took Ben & Jerry's to task over it.

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American Renaissance For Long-Derided Trains

U.S. Industry's Returns Are Its Best in Years

By Aline Sullivan

AMERICAN TRAINS have for years inspired scorn and disregard in equal measure. Memories of 1861, when the Union Pacific Railroad linked both seaboard and sparked the heyday of the U.S. industrial revolution, had long faded by the start of this decade. No one was making the trains run on time anymore and no one was making much of a profit.

Today, cost-cutting, better service and consolidation are breathing new life into the railroad industry. Indeed, trains in the Americas are generating their best returns on investment in about 50 years. Share prices are rising as they win passenger business from the airlines and container business from trucks.

Investors anxious that they have missed this revival could take heart from G.K. Chesterton's advice that "the only way to be sure of catching a train is to miss the one before it." Those looking for more practical guidance might consider Michael Lloyd, railroad analyst at Merrill Lynch & Co. in New York.

"Some people want to wait until the next recession before buying the sector because trains are a cyclical business," he said. "But they could wait a long time before that happens. There are a number of companies well worth buying right now." Burlington Northern Santa Fe Corp. tops his and many other industry analysts' buy list. In 1996, when Burlington merged with Santa Fe, the company retired 7,500 miles (12,000 kilometers) of its systems, relaunched 2,580 miles of track and resurfaced 35,500 miles of track. It also acquired 906 new locomotives and has plans for more.

All that effort is starting to pay off. Burlington, which owns one of the largest railroad networks in the U.S., with 34,000 route miles covering 28 states and two Canadian provinces, will profit from record corn and soybean production this year and from its ability to move 10 percent more coal this winter, predicted Steve Lewins, railroad analyst at Gruntal & Co. in New York.

All told, Burlington shares should rise to \$120.00 over the next 12 months, up from about \$103.00 at present, he said.

Raymond Tizabi, analyst at Donaldson Lufkin & Jenrette in New York, voiced similar enthusiasm. "Burlington is rapidly gaining market share from Union Pacific," he said. Shares in Burlington hover near their high for the past 52 weeks, while shares in Union Pacific Corp., the largest U.S. railroad following its merger last year with Southern Pacific, are close to their low.

But Stephen Klein, transport analyst at

Standard & Poor's Corp. in New York, was more pessimistic. "Burlington shares are getting pretty high," he said. "The stock may need to be downgraded."

Indeed, the playing field may be leveling as Union Pacific puts its problems behind it, said Mr. Lewins. "The company has been beleaguered by lengthy but temporary congestion problems because of inadequate planning for the merger of Southern Pacific, as well as weather problems related to El Niño," he said. "For the long pull, we remain strong buyers."

He predicted a share price of about \$75 within 12 months, up from the current \$53.

Waiting in the wings as the industry favorite is Kansas City Southern Industries Inc., a diversified rail holding company in the process of spinning off its substantial financial interests. Some analysts argue that the stock is still underpriced, despite more than doubling this year because its joint venture with Transporacion Maritima Mexicana SA could add substantial earnings in the future. Its ability to move freight from Chicago to Mexico City could make the company an attractive bid target, they said.

Joint ventures and acquisitions in Latin America, where most railroads are privately held, are a big plus for investors in U.S. companies expanding in the fast-growing region, analysts said. A number of companies are expanding into Mexico, including Union Pacific, which this month announced plans to spend millions of dollars improving its Mexican gateways. Others, including RailAmerica Inc., are pushing further south: The Florida-based diversified international transportation company now operates in Chile as well as in seven U.S. states and Australia.

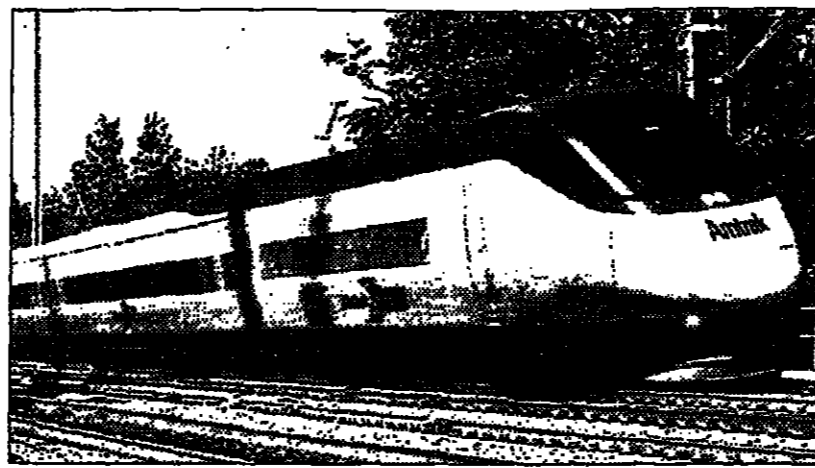
Wisconsin Central Transportation Corp. has also been a favorite of the analysts, at least until recently.

"People are starting to notice that the major portion of its growth has been through acquisitions in Britain and Australia," Mr. Klein said. "The company is great at turning around farm railroads, but hasn't done much beyond that."

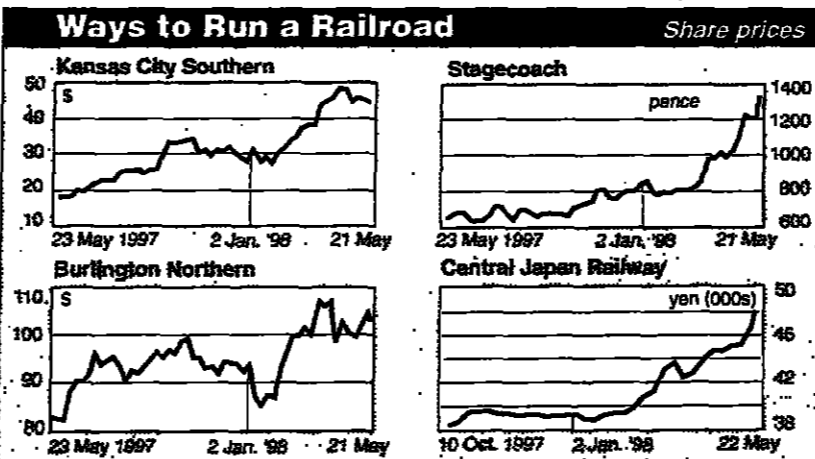
The jury is still out on CSX Corp. and Norfolk Southern Corp., which remain embroiled in a tortuous effort to buy Conrail Inc. The winner will emerge as the dominant railroad in the eastern United States.

Norfolk Southern's chief executive, David Goode, said this week that the company was poised for growth. But analysts remained skeptical, noting that the company could encounter regulatory obstacles before its fate is settled.

CSX Corp. is bogged down by problems at its subsidiary, the shipping company Sea-Land Corp. Rate wars for Pacific container-ship traffic are eroding profits,



A U.S. revival and African modernization offer railroad investment plays.



analysts said. Shares in Norfolk Southern and CSX have languished recently.

Further north, the Canadian railroads are making the same types of cost-cuts that their U.S. counterparts made in the early 1990s, analysts said. Of the country's two major railroads, the larger, Canadian National Railway Corp. is the more appealing, partly because it is the only coast-to-coast rail system in North America. It is also completing a merger with Illinois Central Corp. that will allow it to extend services south to the Gulf of Mexico.

"We believe the acquisition of Illinois Central represents an opportunity for

Canadian National to become a major NAFTA company," Mr. Lewins said. He added that it was also considering a bid for the Southeast Mexican rail concession and had "set up an alliance with Kansas City Southern Industries."

He initiated coverage of Canadian National last month with a buy rating, saying that he expected its New York-listed shares to rise to \$73 in 12 months, up from about \$60 this week.

Canadian Pacific Ltd. is more of an energy and shipping industry play than a railroad company, Mr. Klein noted, although some analysts like its prospects.

Europe's Slow Track To Rail Privatization

For Investors, Deals Are Mostly on the Fringes

By Barbara Wall

EUROPE'S STATE-OWNED railroads are being changed from government agencies to corporations, holding out the prospect that the industry will offer investors a privatization bonanza as the coming monetary union encourages economic growth and increased trade among its participants.

For individual investors, however, that is a long way off. For now, the only way to participate in the liberalization of the industry is to invest in publicly traded transportation companies that have acquired railroad-operating concessions in a handful of European markets.

The industry consensus is that there will be a spate of European rail privatizations in the next two years, but that these will involve regional passenger services and freight operations, not main-line systems. It is also unlikely that the infrastructure will be sold off to the private sector, as was the case in Britain.

Ken Harris, editor of *Jane's World Railways*, in London, said there were no clear indicators that European governments were desperate to sell their entire railroad systems. He said he suspected, however, that much of the restructuring in Germany was preparation for a large-scale privatization of the country's railroads.

"Some governments will take the privatization process further than others," he said. "For example, it is difficult to see how the French government, which has maintained such a strong commitment to public transport provision over the years, could reconcile itself to privatizing the whole French railroad system. However, in other countries in the region, notably Germany, Sweden and, paradoxically, Italy, which also has a strong publicly held transport industry, the indicators show that the governments are becoming increasingly receptive to the privatization process."

The state governments in Germany, which have recently been given control of the country's local rail networks, have awarded several operating franchises to private transport companies. Deutsche Bahn AG, a subsidiary of the federally owned German Railways company, has had to compete against private companies for these concessions.

The state-owned railroads in the Netherlands, Portugal and Sweden have also awarded passenger franchises to private companies. One of these companies, CGEA Transport, a wholly owned subsidiary of Vivendi, the French utilities conglomerate that changed its name last week from Compagnie Generale des Eaux SA, has franchises in Britain, France, Germany, the Netherlands and Sweden. Some of them were won by CGEA in partnership with local transport companies.

"CGEA currently has about five major competitors in Europe," said Antoine Frerot, chief executive officer of the Paris-based CGEA Transport. "Most of those are British bus companies with railroad interests. If Deutsche Bahn is privatized, then it would be a formidable competitor. I also expect to see some competition coming out of Asia in the months ahead."

Stagecoach Holdings PLC, one of the British companies mentioned by Mr. Frerot, has bid for several rail franchises in Sweden and a commuter line in Portugal. Stagecoach's rail interests represented just under 50 percent of its annual revenue in 1997.

The British bus-and-train company National Express Group PLC is also expected to play a major role in Europe's rail privatization programs. The group's rail interests represented about 70 percent of its annual revenue in 1997. By contrast, the transport interests of Vivendi constituted just 6.6 percent of its revenue last year.

Private bus and train companies are understandably keen to bid for lucrative passenger-rail services in Europe. A recent report by SBC Warburg predicted that because Stagecoach got into the British rail-privatization process early and negotiated a generous government subsidy, its rail interest, South West Trains,

would make an operating profit of £100 million (\$163 million) at the end of 2002, assuming passenger revenue increases at a modest annual rate of 4 percent. The increase last year was 8 percent.

Mr. Frerot said opportunities for transport companies in Europe were boundless.

"The ratio of earnings after tax on the capital employed on CGEA's franchises is high compared to many companies in the transport industry," he said. "Last year, the company made an after-tax profit of more than 15 percent. Next year it could be as high as 20 percent. However, the key to success is to get involved in the franchising process early on. The first company with a foot in the door generally gets the best deal."

Some of the world's best investment opportunities are to be found in less-developed regions. Peter Kieran, president of CPSC Transcom, a Canadian financial consulting firm that is assisting several African governments establish rail-privatization programs, said Africa was likely to attract investors.

"The African economies are growing rapidly and the demand for passenger — but especially freight — transport services, is bound to go on increasing with this growth," Mr. Kieran said. "The most important point is that the competing transport systems are underdeveloped and very expensive. The railroads are also underdeveloped and inefficient, and most have been losing traffic to trucks, but private train companies have the ability to reduce costs and improve the service. Once they do that, they can justify an increase in rates and start making a good return on their investment. Railroad rates are about 50 percent less than the rates levied by trucks."

With those potential good returns, however, come political risks and the need for heavy cash outlays, Mr. Kieran added.

The first railroad operation to be privatized in Africa was the line between Abidjan, the capital of Ivory Coast, and Ouagadougou, the capital of Burkina Faso. Sita Rail, a subsidiary of the French national railroad, SNCF, is the majority shareholder of Sita Rail.

"Many more privatizations are anticipated this year," Mr. Kieran said. "The governments of Gabon, Cameroon, Madagascar and Malawi plan to award operating franchises in the next few months. The governments of Tanzania and Mozambique have also indicated that they are close to signing franchising deals with Western consortiums."

Many of the potential bidders are not publicly traded, but Mr. Kieran suggested that U.S. railroad companies that have experience operating short lines might be attractive to the governments.

South Africa has Africa's biggest rail network. There are 50,000 kilometers (31,000 miles) of track and 50 percent of this is owned by Spoornet, subsidiary of the state-owned transport company Transnet. Sean Willis, a spokesman for AIC Worldwide Ltd., an Australian consulting and training company with offices in South Africa, said economic and political considerations made Spoornet an unlikely candidate for privatization.

There are, however, several rail privatization initiatives in South Africa that have attracted interest from foreign investors. One of these is the South African rail-commuter franchise. Spoornet is also franchising out several secondary branch lines for freight services.

Mr. Willis said that several banks were important roles in Africa's rail privatization process. He cited Macquarie Bank of Australia, which is currently involved in a cross-border leasing project with Spoornet. Stagecoach also has a presence in Africa, but a spokesman said management would restrict its interests to Kenya, which has one of the continent's more developed transport systems.

For further information:
• AIC WORLDWIDE LTD. Telephone: 27 11 46 32 802.
• CPSC TRANSCOM Telephone: 1 613 377 2500 Web site: www.cpsc.com
• JANE'S WORLD RAILWAYS, published by Thomson Corp. Telephone: 44 181 760 7000
• MODERN RAILWAYS Telephone: 44 1912 514 116

The Little Rail-Equipment Makers That Could

By Conrad de Aenlle

SOME OF THE largest companies on earth make railroad equipment, including General Electric Co. of the United States and Siemens AG of Germany, but better investment opportunities may exist among a handful of smaller companies that few people recognize. They stand to profit most as European governments accelerate efforts to modernize their rail systems, run them more productively and even privatize them.

It may seem dull, but providing and servicing railroad equipment and infrastructure offers some of the best returns for industrial conglomerates. At GE, for instance, the locomotives division had a 20 percent-plus increase in operating profit in the first quarter, according to research by Morgan Stanley, Dean Witter & Co., compared with the company-wide average of 13 percent.

Morgan's analysts noted that the division was booked out for this year and most of next and that the company was looking to boost capacity to keep up with demand. "With volume and price in its favor," they said, "incremental

margins should be terrific, on top of 1997's 19 to 20 percent."

Morgan Stanley gives GE its highest rating, "strong buy." Jeffrey Sprague of Salomon Smith Barney Inc. has a buy rating on the stock and estimates that its price will rise to \$100 a share from its recent level of about \$86.

One of the highlights among the vast repertoire of businesses in which the world's largest company engages, Mr. Sprague said, is servicing of the 13,000 GE locomotives chugging on rail lines worldwide, as well as servicing of other equipment, such as aircraft engines.

"The service business is very attractive from a growth and margin standpoint," he said.

Because little manufacturing capacity must be used, equipment-servicing generates strong cash flow to the company. Another rail-related money-spinner at GE is Positive Train Control, which uses satellites to help railroads track the progress of their cars and locomotives.

Mr. Sprague cited GE data showing that conventional railroads operate so inefficiently that the average boxcar makes just 10 trips a year.

While GE is held up as the model of a well-run manufacturing conglomerate, analysts shun Siemens. Mark Davies Jones, Mr. Sprague's colleague at Salomon, rates the stock "underperform," the category for all but the most wretched enterprises.

Siemens is huge, but it is inefficient and somehow has not acquired dominance in profitable lines of business, as GE has. Restructuring has been halfhearted, Mr. Davies Jones said, and despite efforts to be a global player, much of its workforce is in its native Germany.

Another problem is lack of focus: Siemens is engaged in too many unrelated businesses.

Two other European conglomerates, General Electric Co. of Britain and Alcatel Alsthom SA of France, are addressing the problem of over-diversification by selling most of their 50-50 joint-venture, GEC Alsthom, through a public stock-offering in June.

As it has yet to trade, analysts have not formed an opinion on GEC Alsthom, which, like Siemens, is one of Europe's largest suppliers of railroad equipment.

They say, however, that selling the venture and concentrating on other businesses will make both partners stronger.

Investors wishing to buy a rail-equipment business in its purest form and not as part of a conglomerate have several unheralded choices in Europe, where the railroad industry is changing most. In the east, chunky Soviet-era networks are being brought up to date, which means contracts for suppliers of cars and infrastructure. But as one company discovered the hard way, winning contracts is not enough.

Anna Bossong, head of East European equity research for Daiwa Europe, noted that the Czech company Skoda Plzen a.s. had received orders for trains from the Russian rail agency soon after the breakup of the Soviet bloc.

The Russians never paid for the trains, however, leaving Skoda Plzen with yards full of the things. The company is beset with other problems, Ms. Bossong said, and its stock is best left alone.

"The company produces trains, which is an improving business, but it also has stakes in two troubled truck-makers and a

Continued on Page 21

Japan's Regional Lines Gleam Among Slim Pickings in Pacific Rim

By Philip Segal

IF YOU WANTED a job that took only a few hours a week to do, following listed train stocks in Asia would be just the ticket. Aside from Japan, where analysts are excited about train stocks that have been reaching record highs this month, the outlook for railroad equity in Asia is at best mixed.

Outside of Japan, investors might consider rail companies listed in New Zealand and a Chinese railroad listed in Hong Kong.

Increasingly, it is the real estate around the tracks rather than the railroads themselves that are proving to be the most attractive investments.

Since the Asian financial crisis has pounded real-estate prices over the last year, a big railroad project that was to go through Manila has been delayed. In Malaysia, there is still no official word

on whether the country's national rail system has passed into private hands. But even if it has, profitability is looking shaky as property prices slide, according to Andrew Lee, an analyst at HSBC Securities in Kuala Lumpur.

The great Asian railroad buying opportunity can be found in Japan, where investors have been making good money this decade. William Gallagher, an analyst at Schroders Japan Ltd. in Tokyo, called Central Japan Railway Co., known as JR Central, a "perfect deflation hedge," and he has been bullish on the stock since it was listed in October.

The company is one of seven train operators that emerged when the state-owned Japanese National Railways sold its operations in 1987.

JR Central, along with East Japan Railway Co. and West Japan Railway Co. — known as JR East and JR West — reached record highs on the Tokyo exchange this month. All have hand-

somely outperformed the Nikkei 225 and Topix indexes since listing.

Mr. Gallagher particularly likes JR Central, because of its ability to raise prices even in a deflationary environment. As the yen falls, reducing the value of investments in Japan for foreign investors, it also makes travel abroad increasingly expensive for Japanese, which may mean more of them will take the train and stay closer to home this summer. Mr. Gallagher is also positive on JR East.

Less bullish on JR Central is Naoko Matsumoto at Merrill Lynch & Co., because of what she called the railroad's greater resemblance to a utility than JR East or JR West. With just one major route — the high-speed "bullet" train from Tokyo to Osaka — JR Central is dependent on the government for the go-ahead on what promises to be an extremely expensive high-speed rail line yet to be built.

For Merrill, JR East is the preferred

stock because "it runs more like a private" company. JR West is also a buy, said Ms. Matsumoto, but JR East is more aggressive on cost control.

Towering over the three railroads is a mountain of debt, 360 billion yen (\$2.64 billion) in liabilities from the old state-owned system. These obligations were supposed to have been handled by a special trust that was charged with selling real-estate holdings and investing the remaining cash. As Japanese asset prices have not recovered from the slump that began in 1991, it seems likely that the seven railroad companies will be saddled with more debts than they had been told about when listing.

Mr. Gallagher figured that this was already reflected in the price of JR Central, which he said would be slightly affected by the extra 2 billion to 3 billion yen a year in costs from taking on the liabilities. The issue of which company gets how much new debt is still under debate in the Japanese legislature.

The main risk for foreign investors in Japan is that the yen will be weakened. Many analysts think this is a given, and one said that because investment houses are reluctant to offend Japanese authorities, they often issue overly optimistic forecasts for the currency.

Elsewhere, there are two almost pure railroad stocks in Asia. One is Guangshen Railway Co., listed in Hong Kong, with an American depository receipt in New York. The stock is unloved by analysts in Hong Kong, and considering its negative total return of 61 percent over the past year, it is easy to see why.

On a valuation basis, Guangshen's stock is cheap, trading at about seven times next year's projected earnings per share. It connects Hong Kong with the capital of southern China's Guangdong Province but has suffered more than expected from competition by bus companies and Hong Kong's government-owned railroad. High quality service on the Hong Kong railroad en-

courages people to change trains at the border with mainland China, which means that there are fewer passengers on the higher-margin through train from Hong Kong to Guangzhou.

Bear Stearns & Co. has a buy recommendation on the stock. Leon Chik at HSBC Securities agreed that it looked cheap, but was nervous about its declining operating margins and wondered when Guangshen would make constructive plans for the pile of cash upon which it is sitting.

Finally, there is Trans Rail Holdings Ltd., listed in New Zealand and with an ADR in New York. It runs trains and the ferry between the country's two main islands; Wisconsin Central Transportation Corp. owns 23.1 percent of it. Because of this American stake, the company is often compared with U.S. railroads instead of with New Zealand companies, said Murray Brown, an analyst at CS First Boston in Wellington. His rating on the stock: hold.

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Big P.

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THE MONEY REPORT

Toy Trains: Adult's Play For Profits

By Andrew Blum

REMEMBER THE model trains that you played with as a child? You probably had no idea how much they cost, let alone what they might be worth 30 or 40 years later.

While many an adult model-train owner is in the hobby for the joy of collecting, the toys can often be good investments, by some accounts increasing 10 to 20 percent a year in value. Although this rate of return does not apply to all trains, collectors said, most of the toys at least hold their value.

"It's rare something that went for \$500 in 1996 is not worth the same today," said Neil Besongloff, editor of Classic Toy Trains Magazine, in Waukegan, Wisconsin.

For a hobby, train collecting can run into big numbers. In March 1997, Richard Knopf of Tucson, Arizona, turned his collection over to Sotheby's for auction. The 1,300 cars, mostly made in the 1970s and 1980s by the manufacturers Nakayama, Tenshodo and Kumata & Co. in Japan and Samhongsa Co. in South Korea, fetched \$740,830.

Dana Hawkes, director of collectibles at Sotheby's, said the Knopf sale was the largest of its kind. Until then, she was not acquainted with model trains. "I did some investigating and realized how highly collectible they were," she said.

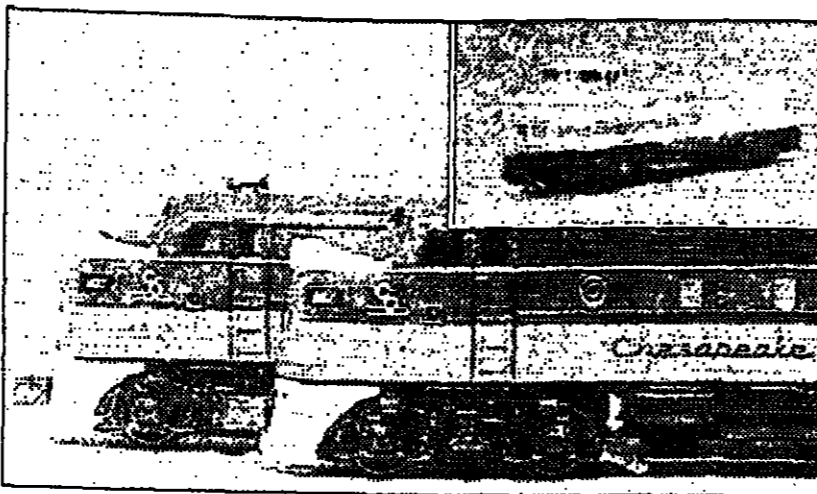
She added that like many collectors, Mr. Knopf had become interested in the hobby after riding trains.

As a general reference, the Sotheby's catalogue for the sale said that new passenger cars now retail for \$250 to \$400, with custom painting adding \$150 to \$200 to the price.

Sam Mattes, who has been a collector for 20 years and is president of California's largest toy-train club, said he had heard of trains appreciating at double-digit rates.

But, he warned, "Just like the stock market, some have also gone down by the equal amounts or more."

The blue-chip of model-train makers, he said, was Lionel LLC, whose products have generally increased in value even as the company lurched through financial crises since the 1950s, when its O-scale trains — which are 1/87th the size of real trains — were supplanted by HO models, which are half their size.



Aging baby boomers are finding good returns in the toys of their youth.

While there are a number of train-makers, Lionel is the best-known and, according to some, the most collectible. Today, the company is partially owned by Neil Young, the rock musician, who is himself an icon for many baby boomers.

Wayne Vivola, a collector in Staten Island, New York, who runs a train business, got interested in the hobby as a child in the early 1960s and still finds Lionel the most collectible.

"Pre-war Lionel has gone up a lot in value," he said.

Despite the good reputation of Lionel trains, collectors cautioned that a lot depends on gauge and scale and how typical or unusual a model set is.

Besides its own trains, Lionel makes a few trains under the American Flyer brand, which it purchased in the mid-1960s.

Other American brands of interest to collectors are Ives Corp., which declared bankruptcy in 1928, and Marx Trains Inc., which licensed a brand started by a company of a similar name that failed in 1975.

Overall, prices have been soft lately, after an increase that reflected baby-boomers' interest in their childhood play things. Mr. Besongloff takes the pulse of the business eight times a year in his publication, which has a circulation of 72,000.

"Five or eight years ago, toy trains, especially post-war, were rising rapidly," he said. "Now, the market is soft."

There are, however, pockets of strength. Trains in mint condition, for example, fetch good prices.

Mr. Vivola said Christmas boxcars constituted another area in which prices were firm. These cars are only made for a few months each year, and he said a model from October 1991 or 1992 that might have cost \$25 would be worth \$150 today.

Another way to get valuable models is to own limited runs, like sets made specifically for employees of companies.

"The number of sets drives prices,"

Mr. Vivola said.

The Penny Black of model trains is pastel. In 1958, Lionel made a set in bright colors.

"It bombed out; Lionel couldn't sell them," Mr. Vivola said, adding that the company sprayed the cars black and resold them.

But today, an original pink set still in the boxes would go for \$5,000 to \$6,000, versus \$49.95 in 1958.

"It does not happen very often," he added.

In terms of today's new trains, Mr. Besongloff said they were "toys for adults."

"They are adult-priced," he said.

"They're probably just as expensive or more so than they were in '50s. A 1951 toy train locomotive that went for \$50 was a lot of money then. Today, it's \$500."

Like other industries, the model-train business likes to display its wares at shows. The year's major gathering in the United States will be July 24 to 26 in Kansas City, Missouri.

In Europe, a train festival in Germany will mark the 30th anniversary of Ernst Paul Lehman Patentwerk's LGB, a maker of garden railroad cars that are four times the size of O-scale models. The event will be held June 27 and 28 at the company's factory in Nuremberg.

For further information:

*TRAIN BUYERS GUIDE: Call 1-800-877-8776, toll-free in the United States. 1-800-533-8644 for Germany's Postal Price Guide to Lionel Trains, which costs \$29.95. For TM's Lionel Price & Range Guide, which costs \$11.95, call 1-219-879-2632 or, toll-free in the United States, 1-800-923-2632.

*CLASSIC TOY TRAINS: Telephone: 414-796-8776. Web site: www.classictrains.com

*KALMBACH PUBLISHING: Publisher Classic Toy Trains and Model Railroader. Web site: www.kalmbach.com

*LIONEL: Telephone: 1-810-949-4100. E-mail: L100@lmc.com

*LGB: For information on anniversary and year: E-mail: 7467276@compuserve.com Web site: www.lgb.com Its parent, Ernst Paul Lehman Patentwerk, can be reached by telephone at 49 911 837 070 or fax at 49 911 837 0770.

*GEORGE HENRI: Telephone: 1-814-784-8854. Web site: www.mark-l.com

*S.M. THE TOY TRAIN MAN: Web site: www.toytrainman.com

*WAYNE VIVOLA: train page: http://home.earthlink.net/~daytonviviola/index.htm, bus: business page: www.daytonviviola.com

The Alluring Flip Side of P/E Ratios

THE FIRST TECHNICAL nuance most investors learn about the stocks they own is their price-to-earnings ratio, the relationship between a stock's market price and its earnings per share. "Earnings" are a company's official after-tax profits. So the P/E ratio tells you how many dollars it costs to buy a dollar's worth of today's earnings.

By comparing P/E's of different companies, you can get an idea of whether a stock could be a bargain. For instance, the current P/E of Intel Corp. is 21, while the P/E of General Motors Corp. is 8 and the P/E of Cisco Systems Inc. is 82.

Still, I am not a big fan of P/E ratios. They are an extremely crude tool, since they are based on an earnings snapshot, and it is easy to manipulate profits in the short-term. Second, a P/E by itself does not have much intrinsic meaning that relates to real life.

Consider, by contrast, the reciprocal of P/E, otherwise known as E/P, or earnings yield. You take a company's earnings per share and divide it by the stock's price. What you get is something understandable, something you can compare to other yields.

For example, over the past 12 months, Intel has earned \$3.82 per share; the stock's price early last week was \$79.50. So, its earnings yield is \$3.82 divided by \$79.50, or 4.8 percent. (You can get the same result by

taking the P/E of Intel, which is 21, and dividing it into 1.)

Now, 4.8 percent is a true, vibrant, meaningful number. We can compare it with a 30-year Treasury bond, which yields 5.9 percent; inflation, at 1.4 percent; a money-market fund, 5.0 percent; or a typical low-risk real estate investment, 8 percent.

An excellent piece in the current issue

Machines Corp. was trading at \$125 a share; in the previous 12 months, it had earned \$6 per share. So its earnings yield is 4.8 percent (the same, by coincidence, as Intel's).

But a 30-year Treasury bond is yielding 5.9 percent to maturity. Why would anyone want to own IBM if it yields 1.1 percentage points less than a Treasury bond?

Well, I would — because IBM's earnings are almost certain to increase over the years,

while a Treasury bond's interest payout will stay the same. IBM's profits will rise (if we can judge by history) at a rate considerably faster than inflation.

According to Zacks Investment Research Inc. of Chicago, 19 analysts who cover IBM forecast, on average, that the company's earnings per share in 1999 will be \$7.33. If that is correct, and you buy IBM at \$125 today, then your earnings yield next year will be 5.9 percent — the same as a T-bond.

IBM's earnings in 1994 were just \$2.51, so, if the analysts are right, they will have tripled by 1999. But let's assume they grow more slowly — say, 10 percent annually after 1999. By the year 2008, earnings per share would be \$17.28. Your earnings yield on that original investment at \$125 per share will be 13.8 percent — more than twice the return on the T-bond.

Washington Post Service

JAMES GLASSMAN ON INVESTING

BRIEF CASE

Bull's-Eye View of Europe

Despite the double-digit unemployment rates weighing down Europe's biggest economies and lingering fears that its single currency will suffer from political meddling at the new European Central Bank, analysts seem increasingly bullish on the prospects for Continental investments.

Robert Bissell and Graham Allen, respectively the president and chief of global fixed income at Wells Capital Management of San Francisco, are optimistic that the single currency project will offer deep, liquid markets for investors. Meanwhile, rising prices for stocks this year have created a "wealth effect" that is encouraging consumer spending.

Mr. Allen said recent economic expansion had been export-led, but with the competitive disadvantage arising from the Asian crisis, the Continent's growth now reflects growing domestic demand.

On the fixed-income side, they see

value in medium-term obligations of the prospective members of the single currency, known as the euro, who will benefit from low interest rates that reflect the deflationary effects of Asia at a time of economic revival. They said the modernization of the European Union economies had gone too far to stop, and they expect further impetus to come from corporations that will fight against unreasonable taxes and labor rules so that they can compete globally.

Their positions, they noted, were hedged to protect against currency fluctuations. Elsewhere, they like 10-year British gilts, whose yields they see as unlikely to converge with the more modest returns of the euro members. On Friday, gilts were returning 5.84 percent, compared with about 4.95 percent for German and French bonds of the same maturity. (IHT)

Perilous Indonesia Deals

In August 1996, The Money Report

ran a story underlining the risk attached to stocks in Indonesian companies controlled by the family of then-President Suharto, and by the Salim Group, which is controlled by one of Indonesia's richest men, who is a close friend of the former president. On the day that Mr. Suharto said he would step down, PT Ciria Marga Nusaphala Persada, a toll-road operator controlled by Mr. Suharto's eldest daughter, had lost about 60 percent of its rupiah value since that article.

PT Bimantara Citra, a conglomerate controlled by Mr. Suharto's son, was worth barely 15 percent of what it cost when the article was written.

Indonesian stocks did poorly over that period, but the Suharto-related issues underperformed the market. Of course, to international investors who saw the rupiah lose about 80 percent of its value against the dollar, any unhedged position would have been a bad one. (IHT)

Big Profits for Small Equipment-Makers

Continued from Page 19

very unfocused management," she said. "The company is also heavily indebted."

Better investments, she said, are Jenbacher AG, an Austrian producer of electric and diesel locomotives and rolling stock, and another Czech company, CKD Trakce, which produces trams for use in Eastern Europe and the United States and is a Siemens competitor.

State systems in Western Europe are undergoing great change. Networks are destined to privatize or to have many of their service and equipment needs outsourced to private companies.

David Whittall, senior analyst and principal at Montgomery Asset Management, a San Francisco money manager, illustrated the potential in Europe with the example of Britain, which dismantled British Rail and sold it into private hands as a number of train operators and Railtrack PLC, which took over the stations and track.

Railtrack has been a dazzling performer, more than tripling in price since shares were sold to the public two years ago. But that is nothing compared with the extraordinary runs enjoyed by shareholders in Amey PLC and Jar-

vis PLC, two beneficiaries of Railtrack's increased infrastructure expenditure.

In early 1996, Amey sold for about £1 a share (\$1.60). Mr. Whittall noted, it now sells for about £7.50. Shares in Jarvis fetched about £6.50. A little more than two years ago, investors could have bought all they wanted for 20 pence.

"A number of rail-service companies had contracts with British Rail, and when it was privatized the relationships changed significantly," Mr. Whittall said.

"Financial discipline changed the way contracts were arranged and the amount spent," he said. "The capital-expenditure program Railtrack

has put in place has been a major source of business to rail-service companies."

Mr. Whittall said that several small providers of rail equipment and service on the Continent "might have the capacity to do as Jarvis and Amey did and suddenly find themselves under a mountain of contracts if railway systems are privatized."

Three he cited were Schaltbau AG of Germany, which makes components for trains; VAE Eisenbahnsysteme AG, an Austrian maker of switching equipment called high-speed turnouts, and Vossloh AG, a German maker of track fasteners, which hold rails to ties. (The last two were re-

commended to Money Report readers by Mr. Whittall's colleague, John Boich, twice since October 1997. Since the first mention, VAE has slipped 2 percent, but Vossloh is up 30 percent).

"They will do well if the privatization that occurred with Railtrack occurs in Europe," Mr. Whittall said.

"There's no guarantee how quickly it will happen," he added, "but I think it will happen more quickly than is commonly expected. For 50 years, Europe developed its road infrastructure. It's becoming a goal for many governments to shift the movement of freight and people off roads and onto rail."

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WORLD ROUNDUP

On Day of French Open Draw, a Brazilian Invasion



Petr Korda celebrating his victory over Mark Philippoussis.

Korda Cold and Hot

TENNIS Petr Korda had more trouble with the cold on Friday than with Mark Philippoussis. Korda beat the Australian, 6-3, 3-6, 6-2, to lead the Czech Republic into the final of the \$1.9 million World Team Cup in Dusseldorf.

"That's hard for me, I was freezing — I've got no fat on my body," said Korda.

Slava Dosedel also beat Todd Woodbridge, 6-1, 6-4, giving the Czechs a winning lead.

The United States lost to Sweden, its third defeat in three matches. Michael Chang and Jim Courier posted a combined 0-5 record in their matches. (AP)

Mets Acquire Piazza

BASEBALL The Florida Marlins dealt Mike Piazza to the New York Mets on Friday, according to sources within both teams.

The deal comes one week after Piazza, an All-Star catcher, was traded from the Los Angeles Dodgers to the Marlins as part of a seven-player deal after the Dodgers refused his demand for a seven-year contract extension.

Paul O'Neill, the New York Yankee outfielder, who could have become a free agent after this season, agreed on a one-year contract extension that guarantees him \$6.25 million. The Yankees have a \$6.5 million option for 2000. (AP)

Jonzon Leads With 66

GOLF Michael Jonzon shot a 6-under-par 66 to take the early lead Friday in the Volvo Championship in Wentworth, England.

Jonzon, a Swede, missed seven cuts in his 10 starts this season.

Brian Davies, an Englishman, was second, on 67 after making six birdies in the last eight holes. Two other Englishmen, Malcolm Mackenzie and David Howell carded 4-under 68s. Ernie Els and Bernhard Langer were on 69. (AP)

Zulle Regains Lead

CYCLING Alex Zulle swept to his second stage victory of the Tour of Italy on Friday to regain the overall lead in the race.

Zulle, a Swiss cyclist with the Festina team, broke clear on the final climb on the mountainous sixth stage and stretched his lead on the flat run in to the finish at Lago Lacco, at the end of the 158 kilometer (98-mile) ride from Madonna di Campiglio.

Michele Bartoli, the overnight leader, finished second, fractionally ahead of his breakaway companions, Luc Leblanc and Marco Pantani. All three were 24 seconds behind Zulle. (AP, Reuters)

Lilly Gets a Record Cap

SOCCER Kristine Lilly made her record-breaking 152nd international appearance and scored as the United States women's team beat Japan, 2-0, Thursday. Lilly became the most capped player in either men's or women's international soccer, breaking the record held by the now retired Heidi Støre of Norway. (AP)

By Christopher Clarey
International Herald Tribune

PARIS — If this had been a normal year, the only Brazilian attracting attention on the day of the French Open draw would have been the defending men's champion Gustavo Kuerten.

But this is the summer that France hosts soccer's World Cup, and on the day that Kuerten found out that his first-round opponent will be an obscure Frenchman named Charles Auffray, Brazil's other defending champions landed at Charles-de-Gaulle airport and headed to the nearby town of Lesigny to set up training camp.

France's accustomed to cohabitation. Its Socialist and conservative parties have been playing catch with power for much of the last decade, and for the next fortnight, tennis and soccer will have to share the support of the masses. The

World Cup might not begin until June 10, three days after the men's final at the French Open, but the drumbeat leading up to it is the loudest in sport.

"If there would be a World Cup every year in France, we might be in trouble," said Patrice Clerc, the French Open's tournament director. "What surprised me is that the World Cup didn't have a negative effect on ticket sales."

"I thought there would be many people, especially in the French provinces, who would decide to spend their money on soccer instead of tennis. Strangely, that did not happen. Our sales to French tennis clubs are the same, and the demand from foreigners has increased for the second week because they were coming for the World Cup."

The tricky part, as usual, is predicting who will still be at Stade Roland Garros during the second week. Pete Sampras, who has won 10 Grand Slam singles

titles but never won the French, has made a nasty habit of getting nasty draws in Paris. Friday's was not quite as ominous as some of his in the past, but it was hardly accommodating. In the first round, Sampras must face Todd Martin, a fellow American who is more dangerous than his world ranking of 33 suggests and recently won a claycourt event in Barcelona.

Other men's seeds in early danger include No. 6 Yevgeni Kafelnikov, who could face Thomas Enqvist in the second round; No. 7 Jonas Bjorkman, who will face former claycourt ogre Thomas Muster in the opening round; and the 8th-seeded Kuerten, who is very likely to play the resurgent Andre Agassi in the second round.

Since his imagination-stretching run to the title last year with a world ranking of 66, Kuerten has yet to win another tournament, but it would be unfair to

label him a "one-hit wonder." He reached the quarterfinals on a hardcourt at the Lipton Championships in March and performed well in the last two major claycourt events before the French, reaching the quarterfinals in Hamburg and semifinals in Rome.

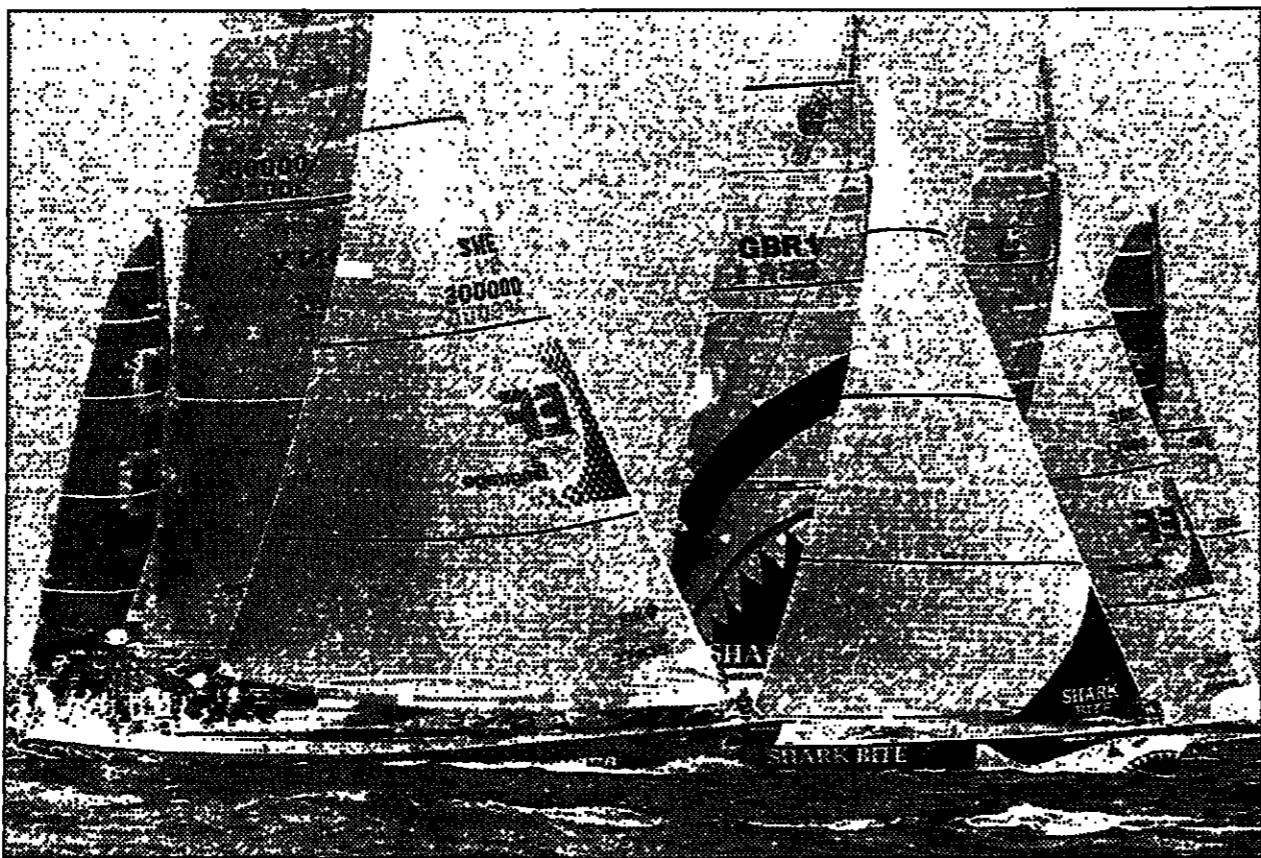
Best of all, he has remained accessible, engaging and grounded, and, as if to underscore his commitment to keeping his feet on the clay, he has checked into the same two-star hotel where he has stayed the last five years.

The women's event could be one of the more consistently intriguing in memory. Martina Hingis, who somehow seems like a perennial at 17, has a remarkably client draw in the early rounds, although her first-round opponent, Maria Antonia Sanchez Lorenzo of Spain, bears watching on clay. But lurking in Hingis' half of the draw are No. 8 Venus Williams, who has beaten

her twice this season, and No. 13 Anna Kournikova, who beat her on clay in Hamburg this month.

Kournikova has a potentially tricky opening match against France's Amelie Mauresmo, who reached the Hamburg final this month.

But the most intriguing seed to watch in the first week won't be Hingis or Kournikova or anyone named Williams — Serena, by the way, is on the opposite half of the draw from her sister Venus. It will be Monica Seles, who is in Paris despite the death from cancer of her father and coach Karolj last Thursday. The ball has not often bounced Seles' way in recent years. She has been wounded both physically and psychologically and now she is in mourning. But she still made the trip across the Atlantic, and when she takes the court against Australia's 136th-ranked Annabel Ellwood, she will have a lot to play for.



The Whitbread 'Round-the-World' fleet starting the final leg of the race in La Rochelle, France, on Friday.

Yachts Start Last Leg On Wave of Emotion

By Angus Phillips
Washington Post Service

La ROCHELLE, France — The Whitbread 'Round-the-World' fleet received a rousing sendoff from spectators on its final leg Friday and emotions aboard the race boats ran high.

"I'm more nervous at the start of this leg than I've been since the race began eight months ago," said Rick Deppe, Bowman on Cheshire.

A puffy northeaster sent the nine 65-footers alternately scudding along on whitecaps, then languishing in windless holes as some of the world's top skippers threaded out to the sea through a throng of about 2,000 spectator craft that often charged within shouting range and churned the water to froth.

Some came too close. The last-place boat, EF Education, was whacked by an overloaded spectator tub that clipped off one of the boat's lifeline stanchions. The all-female crew couldn't complain — it was their own spectator boat, hired by EF to carry a shrieking mob of flag-waving, orange-clad fans.

Dennis Conner, aboard Toshiba, made another perfectly-timed start, shooting full-speed across an imaginary line, but Cheshire took the lead in the packed early going.

With 450 miles to the finish in England, EF Language has clinched first place overall, having won three of the eight completed legs. All it has to do is reach England to pick up the trophy.

Four boats have a shot at second place and five have a shot at third. Swedish Match, in second, could be caught by Merit Cup, Cheshire, and Silk Cut, and with a strong finish, sixth-place Kvaerner Innovation has a shot at third.

"It's sudden death for everybody but EF," said Jerry Kirby, a Cheshire crewman. "Everybody's playing it cool, but look who's out there. Every one is a world class sailor and they all want to come out on top."

That they were all playing for keeps was evidenced by four red protest flags that popped out in the first 10 miles, three against Conner and Toshiba, which twice in the race has had protests against it upheld.

To Europe and Back: Soccer Goalkeeper Pursues His Dream

International Herald Tribune

BOSTON — Ian Feuer was one of America's first exports to the soccer-playing world. At 16, he was 6 feet 6 inches (2 meters) tall, and he spoke with the accent of a California surfer. His great unrequited love was for skateboarding.

That year he attended a soccer clinic in Alabama, where the former German player Harald Schumacher warned Feuer that if he had any ideas of making a profession out of goalkeeping, he had better move to Europe immediately.

Feuer took the advice. Within 20 minutes he was on the phone to his parents in Los Angeles, telling them that he was planning to move to Belgium.

His mother, a former Las Vegas showgirl who performed in opening acts for Frank Sinatra and Sammy Davis Jr., bought him a warm coat.

His father, a keyboard player who performed in Elvis Presley's last five shows in Las Vegas, scheduled four dates in Europe in order to visit his son. Ron Feuer has played with many of Motown's greatest acts. Ian, his goalkeeping son, remembers staying at Diana Ross's house at California's Lake Tahoe and waterskiing with her.

"If my friends had been into basketball or football, then I probably would have been into one of

those sports," Feuer says. Instead, at 8, he was invited to play soccer in Las Vegas by his friend Anthony Spilatro, whose uncle inspired the character played by Joe Pesci in the movie "Casino."

When he was 11, Feuer was put in goal mainly because he was too clumsy for any other position. The coach invented a ball-shooting machine that he has since patented. It simulated the training that develops naturally for young players in other countries. On Saturday mornings, the coach would shoot 1,000 soccer balls at Feuer at up to 90 miles (145 kilometers) per hour. In this laboratory, the boy was transformed.

"I was so naive," Feuer says. "I wanted one thing and that was to be a professional soccer player. If I had known one thing about it, I probably would have done it."

For four years in Belgium he sat on the bench at Bruges. He lived in the tiniest dorm room. He would bicycle to training each day in rain or snow. He stood out physically and culturally. He experienced the same kind of disdain — you're trying to beat us at our game? — that European basketball

players face when they try to play in the National Basketball Association.

After five often frustrating years he returned home, briefly, to play for the Los Angeles Salsa in what was then America's semi-professional league. While playing there he was signed by the English club West Ham, which loaned him to Peterborough. Eventually, he was transferred to Luton Town, then in the English first division.

At 26, a decade after he left home, he was finally able to prove himself. The Luton supporters voted him player of the year in 1996-97. He had benefited from excellent coaches who taught him the art of positioning, of reading the play and turning the low, difficult shots into easy saves.

In March, Feuer was offered a job with the New England Revolution in America's 3-year-old league. When he moved away from home, it was because he had no other choice. Now he was returning to America with a Europeanized accent blended with remnants of surfer dude, as well as with a Belgian wife, Trui, a 2-year-old daughter and another child on the way.

"I feel almost like a foreigner here," says Feuer. "I've lost 10 years of sports statistics and who's won the World Series. I haven't seen a movie in ages. My wife and I love America, and it was time for us to move back."

"I find that the organization for sports in America is by far better than probably anywhere in the world. I've been on teams in England that were just so badly run. It's the best league in the world, and I loved it there, but you look at the facilities. At Luton Town, the training balls weren't even match balls. I think it's very important that you train with the same ball you use in the match."

Ian's parents, Ron and Rusty Feuer, have raised a remarkable family. Their daughter Tamara has an art gallery on Rodeo Drive in Beverly Hills. Debbie, an actress, was married to Mickey Rourke for 11 years. Rick plays keyboard for the Fifth Dimension.

Most amazing of all is that Ian Feuer was walking through a store the other day and was recognized by a half-dozen customers as the star of the local soccer team. That's something no one could have predicted a dozen years ago.

Ian Thomsen is a senior writer for Sports Illustrated magazine.

U.S. World Cup Team Opens Its Arms (Sort Of) to a New American

By Jere Longman
New York Times Service

PORTLAND, Oregon — David Regis was a citizen of France and is a professional soccer player in Germany. He speaks little English, has been to the United States only three or four times and has trained for just a week with the American soccer team as it prepares for the coming World Cup in France.

Yet, on Wednesday, he passed his exam for American citizenship and was sworn in, just in time to play in an exhibition match here against Kuwait on Sunday.

Regis was eligible to become naturalized because he is married to an American woman. His application, which comes at a time of mountainous backlogs in processing citizenship requests, was expedited under a rare provision of U.S. immigration law used primarily by the spouses of military personnel and government officials.

If Regis plays defense with the same deftness shown in his naturalization, he may well be in the starting lineup when the Americans open the World Cup against Germany on June 15 in Paris. The final 22-man team for the tournament must be named by June 3.

Imported players and coaches are a time-honored tradition in soccer. The Americans now have four players who were naturalized for the 1994 and 1998 World Cups. Seven of Jamaica's players are Britons whose parents were born on the Caribbean island; its coach is a Brazilian. El Salvador used a naturalized Serb and two Brazilian players in its futile attempt to qualify for the World Cup.

Soccer's world governing body, FIFA, abides by the citizenship rules of each of the participating countries. It stipulates only that a player who has participated for one national team may not play for another. Regis, who is 29, said he declined a chance to play a match for the French national team last

fall, thus preserving his chance to eventually play for the Americans.

Steve Sampson, coach of the U.S. team, said he had given Regis no guarantees as to whether he would make the final squad. And there is much riding on the club's performance in the World Cup, from Sampson's own job security, to the approximately \$700,000 the team will receive from FIFA for each World Cup match, to popularizing Major League Soccer in its third season in the United States, to broadening general support and awareness of soccer in America.

Regis is a personable, talented player, naturally left-footed, with searing speed and the ability to come forward from defense. He scored five times this season, all headers, for his club team, Karlsruher in the German Bundesliga, and has played professionally for nine seasons in France and Germany. His prospective American teammates have largely embraced him, even those whose playing time would most likely

be reduced by his presence.

"It's the first time I've been with a team that has been so welcome and open," Regis said. "In Europe, everything is more competitive and colder."

Jeff Agoos, a fellow defender, helped Regis prepare for his citizenship exam. It was a magnanimous gesture by Agoos, who burned his uniform in despair after becoming one of the final cuts from the 1994 World Cup team and who would be vying for playing time with Regis in the 1998 World Cup.

"This is all about the team," Agoos said. "We don't have one player who can carry the team on his back. If we don't play as a team, we're going nowhere."

STILL, Regis' presence is a sensitive matter. Many of the American players have come up through the youth system; most have put in years with the national team and were instrumental in qualifying for the World Cup. Yet, less than a month before the

tournament begins, several of them face the prospect of being displaced by a newcomer who did not participate in a single qualifying match.

"It's difficult, I won't lie," Agoos said. "Myself and the other guys have fought for a long time, put in a lot of blood, sweat and tears."

One issue seems clear enough: with MLS in only its third year, the United States cannot yet challenge the best teams in the world solely with players born in America.

The team's foreign-born players have played crucial roles during World Cup qualifying: Thomas Dooley, a native of Germany whose father is a deceased American serviceman; Roy Wegerle, a native of South Africa who was formerly married to an American woman, and Preki Radosavljevic, who received his American citizenship in 1996 after playing nine seasons of indoor soccer in the United States. Dooley, who also played in the 1994 World Cup, is now the team captain.

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SPORTS

It's a Pitchers' Day in NL As Top Teams Get Stingy

The Associated Press
Good pitching is tough to beat. Houston, Atlanta, San Francisco and the New York Mets, the teams with the top four earned-run averages in the National League, all won, allowing a total of two runs in their respective victories.

ASTROS 6, Expos 0 "I don't care who you go against," said Larry Dierker, the Houston manager, after Shane Reynolds struck out Montreal.

Braves 2, Rockies 0 Denny Neagle combined with two relievers on an eight-hitter as Atlanta shut out its opponent for the sixth time this season.

"He's a great pitcher," said Leo Mazzone, the Braves' pitching coach, of Neagle. "He battles especially hard, harder than most."

The Atlanta staff is tied with the Mets with a league-leading 3.12 ERA.

Neagle (6-1) posted his fifth

victory in a row and went to 15-1 at home since joining the Braves in August 1996.

Dennis Martinez got the final two outs of the eighth, and Kerry Ligtenberg pitched a perfect ninth for his sixth save.

Giants 9, Brewers 1 Kirk Rueter allowed Milwaukee only one hit, a homer by Jeremy Burnitz leading off the second. Rueter struck out two and walked three in eight innings as San Francisco won for the sixth time in eight games.

"I didn't feel as strong as I have, but they hit the ball right at our defense," said Rueter.

Mets 6, Reds 1 Masato Yoshii struck out a career-high nine batters in his first complete major-league game.

Yoshii (3-1) allowed nine hits and walked three. The 33-year-old rookie from Japan has a 2.25 earned-run average in eight starts for New York.

Carlos Baerga had three hits, including a home run, and drove in three runs. John Olerud also homered for the host Mets.

Pirates 3, Padres 2 In Pittsburgh, Jason Schmidt won his National League-leading seventh game as the Pirates beat Kevin Brown for the second time this season.

Schmidt, the first Pirates pitcher to start 7-1 since Tim Lincecum, achieved that mark in 1992, allowed two runs on six hits in eight innings.

Diamondbacks 6, Marlins 4 Devon White doubled home the

go-ahead run in the seventh inning, then scored on Mike Piazza's throwing error as Arizona won in Miami.

Florida has lost four of five since the seven-player deal that brought Piazza and Todd Zeile from Los Angeles.

Dodgers 7, Cubs 3 Matt Luke and Juan Castro homered as Los Angeles won in Chicago.

Phillies 4, Cardinals 3 A wind-blown double led to the go-ahead run, and Mike Grace snapped a four-game losing streak for host Philadelphia.

Bobby Abreu scored the decisive run in the sixth after his pop-up dropped in for a double. Kevin Jordan followed Abreu with a run-scoring double.

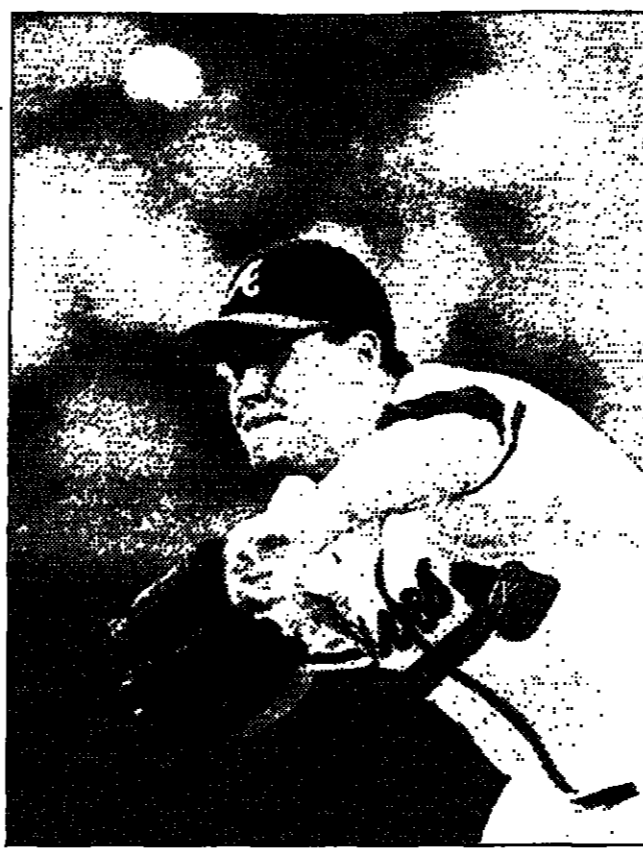
In the American League:

Rangers 9, Mariners 8 In Arlington, Texas scored three runs in the bottom of the ninth to complete a three-game sweep of the Mariners.

A fan ran onto the field earlier in the inning to join Johnny Oates, the Texas manager, in an argument with Brian O'Nora, the third-base umpire, who had ruled Seattle's Rich Amaral safe stealing third. Oates was ejected and the fan was arrested.

Ken Griffey Jr. hit his 17th home run and also tripled and doubled for Seattle, but the Mariners could not hold a 7-2 lead.

Scott Bailes (1-0) was the winning pitcher without retiring a batter. He threw two pitches to Rob Ducey, then picked off Russ Davis at first base.



The Braves' Denny Neagle on way to fifth victory in a row.

Yankees 3, Orioles 1 Baltimore lost its eighth in a row — its worst skid since 1993 — as New York finished a three-game sweep at Yankee Stadium.

Paul O'Neill hit a two-run homer in the first inning and connected for his 100th career homer in the sixth.

Blue Jays 6, Devil Rays 1 Jose Canseco hit two home runs and Toronto beat visiting Tampa Bay for a three-game sweep.

Canseco has 16 home runs this season.

Tigers 6, Twins 3 Tony Clark singled home the go-ahead run in the 11th inning at Minnesota.

doubled and drove in five runs as Anaheim earned its first three-game sweep at home against Oakland since 1986.

Edmonds hit a two-run homer in the first inning and connected for his 100th career homer in the sixth.

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Tigers 6, Twins 3 Tony Clark singled home the go-ahead run in the 11th inning at Minnesota.

With the Jazz Rolling, Lakers Forced to Pick

By Ric Bucher
Washington Post Service

LOS ANGELES — Get the Los Angeles Lakers started on the subject of the Utah Jazz and you are suddenly in a sci-fi thriller, in which a group of scientists ponder how to stop some freakish mutant wreaking havoc on their town.

As the mutant rampages down another street, terrorizing yet another family, the scientists take turns presenting different solutions. Meanwhile, the audience is screaming. "Just do something!"

The Lakers are at that point in the movie, otherwise known as the Western Conference finals, in which there isn't much of the town left. They were down 2-0 in their best-of-seven series with the Jazz going into Game 3 on Friday night.

In the run-up to the game, the Lakers still had not reached a consensus on what they must do to prevent, primarily, point guard John Stockton and forward Karl Malone from picking them apart and rolling over them.

The pick-and-roll play is one of the oldest and most fundamental strategies in the game, and every team in the league uses it.

It starts with a big man setting a pick for the smaller ball handler, usually off to one side of the free-throw line. If the ball handler can get ahead of his defender driving past the pick, he heads for the basket. If the smaller defender cuts behind the pick to cut off the drive, the guard has an open jump shot. If both defenders step up to block the ball handler's path or shot, the ball handler passes to the pick-setter, who can freely roll to the basket.

What makes the Jazz's pick-and-roll so difficult to stop is that both Stockton and Malone can dribble the ball, pass it, drive to the basket or make a medium-range jumper.

"If you stop one, the other one is open," said Derek Fisher, a Lakers' point guard. "I can't think of any two other guys in the league that present that many different problems."

Perhaps that is why the Lakers players cannot agree on what to do.

Fisher and his fellow point guard, Nick Van Exel, suggested that the three defenders not directly involved in the play had to give better support.

Robert Horry, a forward, suggested that the point guards needed to fight through Malone's picks better.

Alternating defenses is important as well, Fisher said, but another forward, Rick Fox, said the Lakers should adopt one approach and stick with it.

THEN there's the Lakers' center, Shaquille O'Neal, and the coach, Del Harris, who don't believe the pick-and-roll is the main source of the Lakers' problems.

In studying film of the 99-95 loss in Game 2, Harris said the Lakers determined that the only reason the pick-and-roll play looked successful was that the Jazz had run it so many times.

Harris said that the Lakers' assistants had charted 25 pick-and-rolls, and the film actually showed 40. The Jazz scored 23 points and picked up some fouls on those plays, he added.

"So that's not what beat us," Harris said. "Where they beat us was in transition."

O'Neal agreed. "We had too many turnovers," he said, "and we didn't get any breaks."

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION

	W	L	Pct.	GB
New York	28	19	.595	—
Boston	26	21	.558	2
Toronto	23	23	.500	5
Tampa Bay	21	25	.458	7
Baltimore	20	26	.435	8

CENTRAL DIVISION

	W	L	Pct.	GB
Cleveland	29	18	.617	—
Minnesota	26	21	.558	3
Chicago	18	29	.383	10
Detroit	17	25	.405	11
Kansas City	16	29	.354	12

WEST DIVISION

	W	L	Pct.	GB
Texas	29	16	.644	—
Seattle	21	21	.500	8
San Diego	21	21	.500	8
Oakland	19	26	.420	10

NATIONAL LEAGUE

EAST DIVISION

	W	L	Pct.	GB
Atlanta	24	13	.647	—
New York	22	20	.524	2
Philadelphia	21	21	.500	3
Miami	16	26	.383	8
Florida	15	29	.340	9

CENTRAL DIVISION

	W	L	Pct.	GB
St. Louis	29	17	.630	—
Chicago	27	19	.587	2
Montreal	23	23	.500	5
Pittsburgh	22	25	.467	6
Cincinnati	22	25	.467	6

WEST DIVISION

	W	L	Pct.	GB
San Diego	30	17	.638	—
San Francisco	27	20	.574	3
Los Angeles	19	28	.404	11
Arizona	14	32	.304	15

THURSDAY LEADERS

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Tampa Bay	800	001	0.000	4
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SPYNAP	BOWLING
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DAVE BARRY

Golf Goes Ballistic

MIAMI — Every now and then somebody thinks up a new idea that is so totally revolutionary that it just totally revolutionizes everything.

For example, in 1903, Albert Einstein stunned the scientific community when he announced that "e" is equal to "mc squared." Until that point, scientists had no idea what "e" was equal to. Oh, sure, they had known since the days of the ancient Egyptians that "e" came after "i," except when both letters were preceded by a "c." But nobody had ever even considered the possibility that "e" might have anything to do with "m."

We will never know what other amazing things would have been revealed about the alphabet if Einstein had lived longer. We do know that, just before he died, he told friends that he was working on "something really big involving 'k.'"

Albert is gone, but fortunately for humanity there are still great minds at work, coming up with breakthrough ideas that a normal person could never even imagine without ingesting fantastic quantities of gin.

One such idea was brought to my attention recently by an alert reader named (really) Dwain Vanderhoof, who sent me a brochure for a new type of golf club, which I absolutely swear I am not making up, called the Ballistic Driver.

The Ballistic Driver is a "swing-less" golf club. You grip it as usual, and you position the head of the club next to the golf ball. But instead of swinging the club, you press an "Activator Button" on the grip; this detonates a small explosive charge inside the club head, which causes a metal plate to shoot out the side of the club a distance of 1.5 inches at a speed of 200 miles an hour. The plate hits the golf ball, which then, according to the brochure, goes "250 yards, every time... down the middle, exactly where you aimed it, drive after drive."

The worst part of golf has been hitting the ball.

Is that a great idea, or what? Now you can play golf WITHOUT HAVING TO MANUALLY HIT THE BALL!

Talk about a breakthrough! I mean, for me, the worst part of playing golf, by far, has always been hitting the ball. I love standing around on the golf course; I love driving the golf cart; I love saying the word "bogey." But I hate swinging the club at the stupid ball, and, on those rare occasions when I actually hit the ball, I hate watching it take off in some totally random direction and disappear, usually forever, into a lake, or the woods, or the body of an innocent bystander.

So I called the company that makes the Ballistic Driver, GPower Inc. of Sunnyvale, California. I spoke with one of the partners, Elizabeth Poggi, a serious person who confirmed that the Ballistic Driver is a serious product aimed at people who, for various reasons, cannot swing golf clubs, as well as for people like me who would simply prefer not to.

Poggi stressed that the Ballistic Driver, which will sell for about \$800, has safety features that prevent it from going off accidentally, as well as (I am still making this up) a silencer. Just imagine what it would be like if golf clubs were randomly detonating with loud bangs on golf courses, not to mention in airports, hotel elevators, etc.

I think the Ballistic Driver could transform the game. Poggi told me that if the club were fitted with a titanium strike plate, "it could theoretically propel the ball 500 yards."

And who knows what lies down the road? I mean, if we can make a club that can hit the ball 500 yards, why not 1,000? Why not a mile?

Maybe we will see the day, in our lifetimes, when golfers using a descendant of the Ballistic Driver, perhaps powered by a small quantity of plutonium, are stepping up to the tee and driving the ball into another time zone.

Wouldn't that be great? Of course, as with any technology, there's always the danger that it will fall into the wrong hands. You could have street gangs converting these clubs to Fully Automatic mode and driving in their low-ride cars to rival golf courses, where they'd spray out hundreds of balls per minute in vicious "drive-by" tee-offs. Or you could turn on the TV news one morning to see Saddam Hussein wearing lime-green pants and standing next to a golf club the size of the Washington Monument, threatening to hit a massive chemical and/or biological Golf Ball Of Doom smack into the fairway of middle America.

So there will be those who will try to ban the Ballistic Driver. To them I say: Forget it. The U.S. Constitution guarantees us — not in so many words, but the intent is clear — the right to keep and bear golf clubs. This precious right was fought for in the Revolutionary War by our courageous forefathers, the Minutepersons, who stood up for it on the green at Lexington. Although they did bogey that particular hole.

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The Murmuring From the Pit: 'Bring on Rattle'

By Paul Griffiths
New York Times Service

BIRMINGHAM, England — If orchestras have lips, then on the lips of many of them at the moment is the same name: Sir Simon Rattle. They want Rattle. Some have been wanting him for years.

The reasons are obvious. He is an outstanding musician. Though he may not succeed in quite everything he takes on, he is probably incapable of giving a dull concert. He works brilliantly with orchestras: He comes to rehearsals thoroughly prepared, and prepared to listen.

He has a huge range of sympathies, and his sympathies are intense. He loves Rameau, and he loves Gershwin. He loves Stravinsky and Mahler, Haydn and Boulez. Szymanowski and Mozart, Wagner and such British contemporaries as Mark Anthony Turnage and Judith Weir. He is in the process of discovering how to love Beethoven.

He is a thinker, and he is a showman. He proves a treat for audiences, as well he might. At his best — which is to say, about 98 percent of the time — he can persuade you that his performance of a piece is not only fuller, richer and stronger than any other you may have heard in the concert hall but also pretty much definitive for the present age.

And at 43, he is a learner. Conducting music is one of his ways of learning as well as a way of passing on what he has learned. Now, after nearly two decades with the City of Birmingham Symphony Orchestra, he wants to take time off and learn more away from the podium.

Still, the offers may be hard to resist: The more he says he is not looking for a post at the moment, the more pressing the invitations become. Some well-wishers are hoping that he may be persuaded to stay in Britain, where he is surely needed.

He might be the man to sort out the sorry mess that is Covent Garden — if he could refashion it as an institution giving both opera performances and concerts, with

enough financing not to be socially restrictive. (His work in the theater, especially in Mozart, Wagner and Janacek, has been thrilling.)

There has also been talk of founding a new orchestra and a new hall for him in London. The likelihood, though, is that sooner or later he will be taking charge of one of the great American orchestras.

When Rattle and the Birmingham Symphony visited New York this week on their farewell tour, the orchestra was not what it was when he took over as director 18 years ago. While he has, in the natural course of events, grown older, his orchestra has gotten younger.

Whereas in 1980 he was a 25-year-old conducting musicians twice his age and more, now most of his players are younger than he is. Three-quarters of the personnel have been replaced during this time; the orchestra he leads is now his.

But that is not the whole story. It would be truer to say that the orchestra he leads is now simply better: not only better equipped in terms of players, but also better managed, experienced and housed. Those who complain that the Birmingham orchestra is not in the same league as the Cleveland Orchestra or the Vienna Philharmonic miss the point.

What has mattered in the last 18 years has been the advance this orchestra has made, from being a minor player even among Britain's provincial orchestras to becoming a superb, versatile and enthusiastic body of musicians. What has mattered also has been the example set in Birmingham of what a modern orchestra might be: willing to take a fresh approach to Haydn, Beethoven or Mahler, eager to investigate new repertory, intent on taking its audience into an artistic partnership, and intent, too, on contributing vigorously to the life and pride of its city.

None of this could have happened without Rattle, but none of it could have happened, either, without the strong support given him by the orchestra's administration under its chief executive, Ed-



Simon Rattle says he's in no hurry to accept an offer.

ward Smith. Because of that support, Rattle could give programs unimaginable anywhere else.

In 1991, for example, he and the orchestra embarked on an extraordinary project: to offer a retrospective of 20th-century music in the century's last 10 years, moving forward decade by decade each year. That meant, in 1996, a concert of some of the knottiest music from the knotty 1950s: Stravinsky's "Agon," Messiaen's "Chronochromie" and Stockhausen's "Gruppen."

Early this year came a program of Pierre Boulez and, again, Messiaen, and another of works by Tippett, Harrison Birtwistle and Oliver Knussen (his Third Symphony, which is included in the second Fisher Hall concert). "The audience may not like everything," Smith said immediately before the

Tippett-Birtwistle-Knussen evening, "but at least they'll go away talking about the music."

There is a buzz in Birmingham. People know that their music director is not only an expert musician, but also an explorer, and they feel embraced in his journeys, whether into new works or into older music, like the Rameau to be played Sunday afternoon: a suite from the composer's last stage piece, "Les Boreades."

Why Rameau? "Because," Rattle explained, "I was there at the first performance." He says this as a joke, but indeed he almost was, for "Les Boreades" lay unstaged after its completion in 1763 until it was presented by John Eliot Gardiner in 1982 in Aix-en-Provence and later in London. And Rattle was, from his student days on, a keen follower not only of the

conductors who visited London, from Pierre Boulez to Herbert von Karajan, but also of the music, old and new, that was being brought to life there: Stockhausen and Ligeti one night, Monteverdi the next.

All this marked him. And by the mid-70s he was contributing to London's energetic musical life: In 1976 he conducted the premiere of Peter Maxwell Davies's First Symphony, and it was already perfectly natural that though only 21, he should have been chosen for that job. Four years later, when he took the post in Birmingham, he was determined to go on expanding the repertory, both forward and backward.

So the Birmingham audience was treated to voyages of discovery not only into the distant past and the immediate present but also into Beethoven, culminating in 1993 in a complete cycle of the symphonies.

Birmingham's musical future looks secure, and it will not be entirely without Rattle since he has undertaken to see the 20th-century celebration through to its end in 2000 and to return for other work with the orchestra.

But what of his musical future without Birmingham? Since he announced his departure, many of the major orchestras have, coincidentally or not, developed an imminent vacancy: The Berlin Philharmonic, the Cleveland Orchestra, the Philadelphia Orchestra and the New York Philharmonic are all up for grabs.

Still, he maintains the same story he has been telling for two years, that he is in no hurry to accept an offer, no matter how tempting, no matter how challenging. "Another commitment," he said, "should be a long, long time in the future."

One reason for putting off a permanent position has to do with his view of what such a position should entail: "I don't think you can be a music director and just jet in for three months of the year. You have to live in the city, with the orchestra. You have to share in the city's problems and be part of the healing. Otherwise there's no point."

PEOPLE

The British historian Paul Johnson, author of the best-selling "A History of the American People," is a vociferous conservative who preaches the importance of family life and Christian morality. But his mistress for the last 11 years, Gloria Stewart, begged to differ. She told The Observer, "Sex has always been a very important part of his life." Stewart, a free-lance reporter, said she was infuriated by Johnson's recent essay on marriage to commemorate his 40th wedding anniversary. She added that their affair was ending because he had found another girlfriend. In an interview with The Observer, Johnson, 69, said he had been having an affair, "but I still believe in family values."

The actor Charlie Sheen, who renounced his partying ways two years ago, has been hospitalized after a drug overdose at his Malibu home. A hospital spokeswoman said Sheen, who is 32, was in stable condition in the critical care unit. Sheen has had a troubled past since 1990, when he checked himself into a drug and alcohol rehabilitation facility. In 1996, he said he had become a born-again Christian and that last living "was a lot of fun, but there is such a thing as too much fun."

Pete Peterson, the U.S. ambassador to Vietnam, and the Saigon-born Australian diplomat Vi Le had to obtain a waiver to marry in Hanoi Grand Cathedral. Two foreigners normally are barred from marrying in Vietnam. Peterson, 62, a wid-

ower, returned to Hanoi last year as Washington's first envoy to communist Vietnam. During the war he was held in the notorious "Hanoi Hilton" prison after his plane was shot down. Le, 41, left Vietnam with her family when she was an infant, eventually settling in Australia. Peterson's security detail will scrutinize all 400 guests at the nuptial Mass on Saturday. "We've had to do names on a list, as if they were going to the White House," Peterson said.

A fashion stylist said she took a punch in the face from Quentin Tarantino, even if he meant to hit her boyfriend. In a \$15 million lawsuit, Lella Mwangi said that the screenwriter opened a cut over her left eye at a Manhattan restaurant on May 2. The trouble started when Tarantino and Mwangi's boyfriend, a photographer, got into a heated discussion about the way Hollywood portrays black Americans, her lawyer said.

Call it marriage 101. Florida lawmakers have sent a bill to Governor Lawton Chiles that would require couples to take a class on wedlock before getting married or wait three days to tie the knot. If Chiles gives it his blessing, Florida would become the first state to make prenuptial tutoring the law of the land. Passed by state lawmakers in April, the measure also requires couples seeking divorce to take similar courses to prepare themselves and their children for the split.



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